

AUDIT COMMITTEE

16th March, 2009

PRESENT:- Councillor Isham (Chairman, for this meeting); Councillors Cadd, Chilver, Mrs Mallard and Mrs Rowlands. Councillor Mrs Morgan-Owen attended also as an ex-Officio Member.

APOLOGIES: Councillors N Blake (Chairman), Kennell and Ralph.

USE OF RESOURCES 2008/09 PROCESS

Prior to the commencement of the formal business of the meeting, Members received a brief presentation from the External Audit Manager on the updated process that would be used to measure local authorities future Use of Resources assessments. The Internal Audit Manager also explained the actions being taken by the Council to prepare for the new Use of Resources process.

1. MINUTES

RESOLVED –

That the Minutes of the meetings held on 8th December, 2008 be approved as a correct record.

2. AUDIT COMMISSION REPORT ON GOVERNANCE – MARCH 2009

Members received a report on the progress made since the Committee's 8 December, 2008 meeting to finalise the Governance report and Action Plan. The External Auditors and Officers had now agreed a way forward to achieve this and the progress on this work and arrangements made were reported.

RESOLVED –

That the External Auditors report on governance be noted.

3. EXTERNAL AUDIT REVIEW OF DATA QUALITY – MARCH 2009

The Committee received the final External Auditors' report on the review of data quality. The review had been undertaken in line with the Audit Commission's three-stage approach to the review of data quality as follows:-

- Stage 1 – Management arrangements – a review using key lines of enquiry (KLOE) to determine whether proper corporate management arrangements for data quality were in place, and whether these were being applied in practice. These findings fed into the auditor's conclusions on the Council's value for money arrangements.
- Stage 2 – Analytical review – an analytical review of 2007/08 best value performance indicator (BVPI) and non-BVPI data and the selection of a sample for testing based on risk assessment.

- Stage 3 – Data quality spot checks – in-depth review of a sample of 2007/08 PIs which came from a list of specified BVPI used in the Comprehensive Performance Assessment (CPA) to determine whether arrangements to secure data quality were delivering accurate, timely and accessible information in practice. The Audit Commission had specified that all single tier and District Councils would have spot checks on two housing benefits PIs for 2007/08, as a minimum.

No other areas of risk had been identified for AVDC so only these two benefits PIs had been looked at during the Stage 3 review work.

The conclusions of the auditor's review work had been as follows:-

- (i) Stage 1 – the Council's overall management arrangements for ensuring data quality were consistently above minimum requirements. This assessment had not changed in the light of the findings from the Stage 3 data quality spot checks.
- (ii) Stage 2 – the analytical review work had identified that the only PI that fell outside of the expected range was one of the two benefit BVPIs that was to be covered by the Stage 3 review.
- (iii) Stage 3

BVPI 78a (Average time taken to process new claims for Housing Benefits and Council Tax Benefit) – that there was a systematic error (estimated level of error greater than 10%) in the calculation of the start date for new claims, particularly telephone claims. However, Council Officers were confident that this problem had been addressed for 2008/09 through a change in the regulations and through staff training.

BVPI 78b (Average time taken to process change of circumstance) – that while the initial conclusions had been that this information had not been fairly stated, Council Officers had been able to provide additional information to demonstrate that these were isolated errors. It had therefore been concluded that this BVPI was 'fairly stated'.

Members sought information from the External Auditors on the role that Councillors were expected to take in promoting data quality and were informed that this could be done through appointing a Data Quality Champion (an initiative the Council had decided not to pursue) and by ensuring that data quality was promoted in the day-to-day running and work of the Council.

RESOLVED –

That the External Auditor's review of data quality and its findings be noted.

4. EXTERNAL AUDIT - ANNUAL AUDIT AND INSPECTION LETTER

The Council's external auditors had issued their Annual Audit and Inspection Letter which provided an overall summary of the Audit Commission's assessment of the Council resulting from the audit and inspection work carried out during the financial year 2008/09 on the Council's records relating to

2007/08. The second half of the Letter related to the Council's Value for Money and Use of Resources assessment which was covered in greater depth by another agenda item. Members were advised that, as had been highlighted in the 2006/07 Letter, the Council needed to continue to focus on the following key issues:-

- monitor the capital programme, including the town centre development, and be willing to take corrective action where it was required.
- monitor construction of the new theatre and the wider capital programme to ensure it was completed on time and within budget.
- achieve financial savings needed to reach sustainable financial balance, particularly given the wider economic difficulties.
- ensure the pathfinder project was properly evaluated and focused on delivering clear outcomes and benefits for the Council.
- strengthen arrangements for financial reporting and ensure the Council took the necessary steps to implement the change to international financial reporting standards successfully.

The External Auditors also informed the Committee that they would be adding an extra recommendation to the final report which would relate to the Council "demonstrating clear community leadership and prioritisation of services for residents made vulnerable by current economic circumstances". This would be a standard recommendation which would be applied to all Councils nationally.

Members requested and were provided with further information:-

- (i) on the performance indicators, regulation (mainly planning) and sustainable communities, that the Council had achieved well below average improvement in when compared to like local authorities.
- (ii) on the flag (green/amber/red) system that would be used to indicate performance as part of the new Comprehensive Area Assessment (CAA).
- (iii) on how the performance assessed against CAA would be able to be compared to Comprehensive Performance Assessment information.
- (iv) that the CAA and new organisational assessment would be reported to the Audit Committee in November or December each year.

RESOLVED –

That the contents of the External Auditor's Annual Audit and Inspection Letter be noted.

5. EXTERNAL AUDIT – USE OF RESOURCES REPORT

The Committee received a report on the work undertaken to inform the Council's latest Use of Resources assessment which evaluated how well the Council managed and used their resources under five themes. The themes and

the Council's performance scores for 2007/088 against each had been judged as follows:-

- (i) Financial reporting – 1 out of 4.
- (ii) Financial management – 3 out of 4.
- (iii) Financial standing – 3 out of 4.
- (iv) Internal control – 3 out of 4.
- (v) Value for money – 2 out of 4.

Overall Use of Resources assessment – 2 out of 4.

All of these scores, including the overall Use of Resources assessment, were the same as for the 2006/07 Use of Resources assessment. The external auditors report also detailed information on the key findings and conclusions of the Key Lines of Enquiry (KLOE) work that had contributed to the theme scores and which included mention that the Council's performance had demonstrated improvement in specific areas that had come about through strengthening and embedding existing arrangements.

Following a short discussion, it was

RESOLVED –

That the External Auditors' report on the 2007/08 Use of Resources be noted.

6. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a verbal report updating them on the progress made to date on work identified to be undertaken in the current financial year. All audit work relating to the 2007/08 year had been concluded and was included within the Annual Audit and Inspection Letter.

The External Auditors and Council Officers would be holding a workshop next month to improve the end of year closedown of the accounts process. It was not anticipated that this would impact on the audit fee charged for this year.

The results of the work on the main financial systems was expected to be completed by the end of March.

RESOLVED –

That the External Auditors' progress report be noted.

7. EXTERNAL AUDIT DRAFT AUDIT AND INSPECTION PLAN

The Committee received a verbal report from the external auditor's on the preparation of their draft Audit and Inspection Plan for 2009/10, which would set out the audit and inspection work that the external auditors planned to undertake during the next financial year. The plan had been developed after consideration of:-

- work specified by the Audit Commission for 2009/10.

- current national risks which are relevant to AVDC.
- AVDC's local risks and improvement priorities.

The final version of the External Audit and Inspection Plan would be submitted to the Committee's June 2009 meeting.

RESOLVED –

That the report be noted.

8. AUDIT BRIEFING NOTE – FEBRUARY 2009

The Committee received a report which provided Members with an opportunity to respond to the matters raised in the Audit Briefing Note number 4 (February 2009) which had previously been distributed to Audit Committee Members. The matters covered in the note were:-

- (i) risk management (including updated Risk Registers for Theatre, and Waterside projects, and for the growth agenda).
- (ii) business continuity.
- (iii) the National Fraud Initiative.
- (iv) internal audit (reports issued, recommendations tracker and additional benchmarking information).

Committee Members had not submitted any questions prior to the meeting. However, detailed information was requested on a number of Risk Register items. Officers gave an undertaking to report back to Members on these issues, which were as follows:-

Waterside Risk Register

- (a) Financial Viability Test – on when this piece of work would be undertaken.
- (b) Aylesbury Canal Society (ACS) – on the latest position regarding the Compulsory Purchase Order and the ACS relocation.
- (c) Communications – on the latest position relating to the signing of a development agreement with Warner Estates.
- (d) EDF – on the latest position with OFGEM and EDF to secure electricity supply at an affordable price.

Theatre Risk Register

- (e) Overrun costs – on the impact that the delays in constructing the theatre were having on the construction budget, and how this was being managed.
- (f) Theatre operators – details on when the arrangements for the operational management of the new theatre would commence.
- (g) Insolvency – on how often information on the solvency of funders, consultants, contractors and suppliers was updated, particularly in the current economic climate.

- (h) Maintenance – on the maintenance fund that would maintain the new theatre building and minimise building envelop maintenance costs.

RESOLVED –

- (1) That the contents of the Audit Briefing Note (February 2009) be noted.
- (2) That information on the issues raised at (a) – (h) above be reported to Committee Members in a separate Briefing Note.

9. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report on the progress made to date on work identified in the current financial year's Internal Audit Plan. A full list of the final audit reports agreed and issued during the current financial year had been detailed at Appendix E to the Audit Committee Briefing Note (February 2009).

There were currently a number of reviews in progress and several draft reports were waiting for a response from management. The audit team was also working hard to complete the main financial systems audits before the end of the financial year.

A report on the outcome of the National Fraud Initiative (NFI) 2006 had been included in the Briefing Note, whilst work on the first results from the NFI 2008 was just commencing.

Members requested further information and were advised on the work that had been undertaken on asset valuation and relating to the Fixed Asset Register.

RESOLVED –

- (1) That the contents of the Internal Auditor's progress report be noted.
- (2) That future Internal Audit Progress Reports be reported to Members as part of Audit Briefing Notes, to enable Members to raise any issues they might have in advance of Audit Committee meetings.

10. DRAFT INTERNAL AUDIT PLAN 2009/10

The Committee received for discussion the draft Annual Internal Audit Plan 2009/10 regarding internal audit work to be undertaken relating to the Council.

The Plan had been developed having regard to a number of factors including an assessment of the risks facing the Council and each of the separate Services and areas within it. The Audit Plan therefore took into account the risks included in Corporate, Service and Project Risk Registers already completed by management.

The Internal Audit Manager had also sought to identify new or emerging risks through discussions with senior managers. The planned activity on the Council's main financial systems had been increased in this year's Plan

following discussions with the external auditors. The other factors considered by the Internal Audit Manager in setting the Plan were also explained to the Committee.

RESOLVED –

That the draft Internal Audit Plan for 2009/10 be approved.

11. ANNUAL GOVERNANCE STATEMENT 2008/09

The Committee received a report updating Members on the progress made in developing the Annual Governance Statement (AGS) for 2008/09. The preparation and publication of the AGS was a statutory requirement of the Accounts and Audit Regulations which required the Council to “conduct a review at least once a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.

The timetable for the production of the AGS had been brought forward to meet the statutory requirements of the production of the Council’s annual accounts. However, some of the supporting information, such as the internal control self assessments that had to be completed annually by Heads of Service, needed to be completed before the statement could be finalised. Members were informed that the statement attached as an Appendix to the Committee report was only a draft.

RESOLVED –

That the initial draft Annual Governance Statement be noted.

12. ANNUAL REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

The Committee received the first annual report from the Chairman of the Audit Committee which summarised the work carried out during the 2008/09 financial year. The preparation of an annual report represented best practice in promoting good governance and cascading information.

Following a brief discussion, it was:-

RESOLVED –

That the Audit Committee Chairman’s Annual Report be noted.

13. AUDIT COMMITTEE WORK PROGRAMME 2009/10

The Committee considered the draft Work Programme for the period up until March 2010. Members commented that they would like to receive a briefing/training to assist them in their understanding of how the Council’s Statement of Accounts was put together.

RESOLVED –

That the Work Programme, as submitted, be approved.

14. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 29th June, 2009 in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.