

AUDIT COMMITTEE

7th December, 2009

PRESENT:- Councillor Chilver (Chairman); Councillors Isham (Vice Chairman), Kennell, , Mrs Mallard, Mills, Ralph and Mrs Rowlands. Councillor N Blake attended also as an ex-Officio Member.

APOLOGIES: Councillors Cadd and Morgan-Owen.

FRAUD AWARENESS

Prior to the commencement of the formal business of the meeting, Members received a presentation from the Counter Fraud Manager and Mr Garym Lambert (who was currently working with the audit fraud team) on the mainstream activities and work undertaken by the Council's Audit Fraud Investigation Unit. This included an explanation of the increased workload being experienced due to the recession.

1. MINUTES

RESOLVED –

That the Minutes of 11th November, 2009 be approved as a correct record.

2. AUDIT COMMISSION ANNUAL AUDIT AND INSPECTION LETTER FOR 2008-09 – FINAL REPORT

The Committee received the external auditors Annual Audit and Inspection Letter which provided an overall summary of the Audit Commission's assessment of the Council. The report drew on audit and inspection work carried out during the financial year 2009/10 on the Council's records relating to 2008/09.

Members sought and were provided with additional information on the following:-

- (i) that the work carried out for the Annual Audit and Inspection Letter had looked at the facts presented, with the auditors then required to assess the processes and decisions taken by the Council, including whether these had been reasonable. The auditors' findings had based on this work, and on moderation talks held with the external auditors for the Milton Keynes Oxfordshire Buckinghamshire (MKOB) local authorities authorities.
- (ii) that the external auditors would be happy to review their 'red' assessment on the Council's preparedness for the implementation of International Financial Reporting Standards (IFRS) in light of the information recently provided to them (AVDC had recently put in place a new Asset Management Register, a process for capturing all leases, and had a system in place which could capture all staff accrued leave).

- (iii) that, following a request from the Council, a review of the use of resources scores had been undertaken. This had not led to a change in the external auditors' judgements and the Council use of resources score would remain as 2. Members attention was drawn to paragraphs 72-74 'The Way Forward' of the Use of Resources report, which stated that the external auditors would work with the Council to identify examples and characteristics of level 3 performance from the national findings to support AVDC in considering what is required to move to the next level of performance.

An undertaking was given to provide Members with information on the guidelines for achieving level 2 and level 3 performance.

- (iv) that the next round of use of resources assessments would start with the baseline information the external auditors already had from this year's assessment. Hopefully, this would mean that the work load of Council officers to support the inspection would be a 'lighter touch'. However, because AVDC was determined to move to a level 3 assessment this would likely involve some additional work.
- (v) on how AVDC might improve their performance and scores against Key Line of Enquiry 1 (Managing finances) and Key Line of Enquiry (Governing the business) for next assessment.

RESOLVED –

- (1) That the contents of the Annual Audit and Inspection Letter for 2008-09 be noted, and that the external auditors would include additional information on the Council's IFRS preparedness as discussed at the meeting.
- (2) That the Head of Finance would submit a report on the Council's preparations for IFRS to the next meeting.

3. AUDIT COMMISSION USE OF RESOURCES – FINAL REPORT AND UPDATE ON “ONE PLACE”

The Committee received a report which contained information on the Use of Resources and an update on the “One Place”. Members had already discussed in depth the use of resources judgement as part of the previous agenda item on the Annual Audit and Inspection Letter, so they did not re-visit these discussions.

Members were informed that the results of the first Comprehensive Area Assessments were currently embargoed but would be released on Wednesday 9 December via the “One Place” website. An undertaking was given to send Members information on how they could access the “One Place” website.

RESOLVED –

That the contents of the report be noted.

4. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report informing it of the progress made by the external auditors in delivering the work set out in the 2008/09 and 2009/10 audit plans.

The work programme for the 2008/09 audit had now been completed, and work had now commenced on the 2009/10 audit plan. There had been no change in the audit fee for this year's work.

Members asked that future reporting on planned outputs from the 2009/10 audit include information on when the audit work would be reported to the Audit Committee.

RESOLVED –

That the contents of the External Auditors' update and progress report be noted.

5. INTERNAL AUDIT REVIEW OF EFFECTIVENESS AND BENCHMARKING

The Accounts and Audit Regulations issued in 2006 require a review of the effectiveness of Internal Audit to be conducted at least once a year, and to be reported to the relevant Audit Committee. Last year's review had been reported in November 2008.

The Committee received a report of the effectiveness of the Internal Audit Section, including benchmarking information. Effectiveness had been assessed against the Chartered Institute of Public Finance Accountants (CIPFA) "Code of Practice for Internal Audit in Local Government in the United Kingdom" checklist. An extract from the checklist showing only those sections where compliance was not 100% and where outstanding actions remained in November 2008 was included as Appendix 1 to the report. All section headings had been left in to remind members of the scope of the review. No new actions had been identified during last year's review, with the Action Plan having been updated in November 2009 to show the actions undertaken since the last review.

Members were also informed:-

- (i) that Internal Audit would be relocating from Friars Square to the High Street offices during the summer of 2010. In order to facilitate this move it was intended to introduce fully electronic working methods and filing.
- (ii) that once the new working methods had been established the full review of effectiveness would be re-performed to confirm that the arrangements were still meeting all CIPFA expectations. The results of the review would be reported to the Audit Committee.
- (iii) that a report on the results of the customer satisfaction survey, which had surveyed Members and managers within AVDC, were detailed at Appendix 2 to the Committee report. Overall, managers surveyed

were satisfied with the Internal Audit Service and had requested more help in the future with value for money type audits.

- (iv) that the results of cost and productivity comparisons between members of the CIPFA benchmarking scheme were detailed at Appendix 3 to the Committee report. It was explained that the 2009/10 figures were currently estimates while all other figures were based on actual costs and time recorded.

Members sought clarification on the measures that were taken to ensure that independent audit advice was always provided, and commented that it might be worthwhile to ask audit staff to make formal declarations of interest relating to audits so that the Council could report that it had fully comply with checklist item 2.6.1.

RESOLVED –

That the report on the effectiveness of the Internal Audit Service, and the results of the audit customer satisfaction survey and the 2009 CIPFA benchmarking exercises be noted.

6. AUDIT BRIEFING NOTE – NOVEMBER 2009

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

- (i) risk management update, including updated Risk Registers for the Theatre and Waterside projects, the growth agenda and for the offices project).
- (ii) Internal Audit – reports issued, recommendations tracker and response to questions.
- (iii) Buckinghamshire Flood Management Scheme.

Prior to the meeting Members had submitted questions on a number of issues including on how the Council managed payment refunds for credit cards and by other payment means to minimise the risk of fraud occurring, and on the management of multi-year debt repayments. The Council had recently received an update to the Debtors Test system which should allow for the correct management of multi-year repayments.

RESOLVED –

- (1) That the contents of the Audit Briefing Note (November 2009) and information provided by Officers in response to queries raised be noted.
- (2) That additional information on the insolvency of WDC or subcontractors, Warner Estates financial position/viability and an update electricity supplies required to support the growth agenda be provided to Audit Committee Members.

- (3) That updated information be provided in the next Audit Briefing Note on the Housing Benefits Audit for 2009, in particular relating to reconciliation of overpayments which had been identified as an issue of concern in August 2008 but had yet to be progressed.

7. AUDIT COMMITTEE WORK PROGRAMME 2009/10

The Committee considered the draft Work Programme for the financial year 2009/10 which included the changes agreed at the previous Audit Committee meetings in June, September and November 2009.

RESOLVED –

That the Work Programme, as updated at the meeting, be approved.

8. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 15th February, 2010, in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.