

AUDIT COMMITTEE

Meeting - 1 April 2009

Present: Mr Hollis (Chairman)
Mr Chapman (Vice-Chairman)
Mr Binns, Mr Bullock, Mr Thomson and Mrs Wallis.

In attendance: Mr Chris Harris, Bentley Jennison (Internal Audit)
Mr Doug Freeman, Bentley Jennison (Internal Audit)
Mr Robert Hathaway, Audit Commission (External Audit)

13. MINUTES

The minutes of the meeting of the Audit Committee held on 6 January 2009 were confirmed and signed by the Chairman.

14. ANNUAL AUDIT AND INSPECTION LETTER 2007/08

The Committee received the Audit and Inspection Letter which was an overall summary of the Audit Commission's assessment of the Council, drawing on audit and inspection work carried out in 2008. It used an analysis of the Council's performance and improvement over the last year, commented on improvements made in various services provided and on the way the Council managed its resources. Robert Hathaway from the Audit Commission presented the letter.

The Committee welcomed the very positive Audit and Inspection Letter which acknowledged the work of both Members and Officers in achieving the results and performance. The Committee noted in particular the following key messages:-

- On the basis of the Audit Commission's basket of performance indicators (PIs), the Council has improved its performance better than most District Councils. The Council now had 40% of its PIs amongst the best for District Councils, well above the District Council average of 33%.
- Progress against the Council's priorities was good in many areas, with an impressive improvement in Development Control and Housing. However, the Council needed to find further ways with partners to reduce elements of crime and to ensure that benefit payments were consistently delivered quickly.
- The audit of the 2007/08 financial statements was substantially finished but could not be finalised until issues relating to the status of land at Farnham Park were resolved.
- The Council had improved the way it ran its business. This was reflected in the use of resources assessment which showed an overall performance in the Council's arrangements for its use of resources.

The management letter made two recommendations for action by the Council:-

- Address improvements detailed in the letter and in particular housing benefits and crime (it was noted that since the subject year, performance on housing benefit payments had improved).
- Continue to demonstrate clear community leadership and prioritisation of services for those residents made vulnerable by their circumstances. This will be more important given the need to manage budget shortfalls and protect core public services in the face of the economic recession.

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Mr Hathaway reported further information to set the Council's improvement in context. This indicated, for example, that the Council was 12th out of 54 Councils in the South-East (and the best in Buckinghamshire) for the percentage of its Pls amongst the best for District Councils. He added that the progress of the Council against its priorities was very commendable. Further, the Council had been successful in raising its Use of Resources Assessment from level 2 in 2007 to level 3 in 2008.

The Committee noted that the issue of a certificate to conclude the audit remained outstanding owing to the resolution of the objections to the accounts in respect of the charitable land at Farnham Park where consideration of further advice from the Charity Commission was ongoing.

RESOLVED that the Annual Audit and Inspection Letter 2007/08 be accepted and noted.

15. ASSESSMENT OF STANDARDS OF CONDUCT

The Committee considered a report of the Director of Resources, previously considered by the Standards Committee, setting out a number of details for an assessment of the authority's standards of conduct.

There were a number of sources of information which could provide evidence about the authority's standards of conduct and these had been collated and presented in the report. Details and statistics were provided under the following headings:-

- Members' Code of Conduct
- Employees' Code of Conduct
- Compliance with Council Procedures
- Related Party Transactions
- Customer Compliments, Comments and Complaints
- Standards Investigations
- Disciplinary Proceedings
- Grievances

Members were pleased to note the good report and asked a number of questions on the information provided including matters relating to customer compliments, comments and complaints. It was noted that the Overview and Scrutiny Committee received annually a more detailed report relating to complaints.

RESOLVED that the satisfactory report be received and noted.

16. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit Progress Report from Bentley Jennison, which was introduced by Chris Harris. The report, the third for 2008/09, was in the standard format and outlined the audits where final reports had been issued, the three remaining reports which had yet to be finalised and the ongoing liaison with the External Auditors. Appendices to the report gave details of a summary of performance, recommendations and action plan for the final reports.

The Committee noted the following position where reports had been finalised since the issue of the last progress report:-

Contract Services - substantial assurance provided. There was one significant recommendation and four "merits attention" recommendations, all of which had been accepted by management.

Creditors - substantial assurance provided. There was a single "merits attention" recommendation which had been accepted by management.

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Income and Debtors - substantial assurance provided. There was a single “merits attention” recommendation which had been accepted by management.

Cash, Bank and Treasury Management - substantial assurance provided. There was a single “merits attention” recommendation which had been accepted by management.

National Non-Domestic Rates - substantial assurance provided. There was one significant recommendation relating to checking on the charity status of all unknown charities before granting relief, which had been accepted by management.

Housing and Council Tax Benefits - substantial assurance provided. There was one significant recommendation, relating to the following of a documented recovery process for overpayments in all cases, which had been accepted by management.

Risk Management - The Council’s approach to risk management had been assessed against a risk maturity spectrum and had come out at “risk defined”, midway along the scale. There was one significant recommendation, relating to all business unit risk registers being subject to regular review, and five “merits attention” recommendations which, subject to a number of comments, had all been accepted by management.

IT Disaster Recovery - limited assurance provided. There were four significant recommendations and one “merits attention” recommendation which had been accepted by management. The recommendations related to the carrying out of a service impact analysis to form the basis for the ICT Business Continuity Management Document; the documenting of an IT Disaster Recovery Plan; the preparation of a formal IT Disaster Recovery Testing Plan linked to training of the relevant staff; and the putting in place a process to report system configurations. Members were concerned to ensure progress on disaster recovery planning and noted that a draft plan was due to be submitted to the Resources PAG in May. Thereafter, a testing process would be worked on. The Committee noted that an update of service impact assessment scenarios was due to be carried out. However it was also recognised that the Council would not be moving to a stage of having a permanent provision of off-site servers available for emergency/disaster use. The Vice-Chairman of the Committee had experience of private sector disaster recovery planning and testing and it was suggested Officers make use of his experience.

Council Tax - substantial assurance provided. There were three “merits attention” recommendations which had been accepted by management.

Corporate Governance - substantial assurance provided. There was one significant recommendation and five “merits attention” recommendations which had been accepted by management.

RESOLVED that the Internal Audit Progress Report be accepted and Officers be requested to press ahead with the Disaster Recovery Planning Process.

17. STRATEGY FOR INTERNAL AUDIT - UPDATE FOR 2009/2011

The Committee considered an updated strategy for Internal Audit for the two years ahead. The Committee confirmed that the strategy covered the organisation’s key risks and included all those areas which it was expected would be subject to internal audit coverage.

The Committee received, as appendix B to the report, a detailed Internal Audit Plan for 2009/2010. This was considered to be both comprehensive and satisfactory. Under the heading of ICT, where the scope of work was yet to be agreed, the Committee suggested such items as a progress report on the Disaster Recovery Plan, a review of the Capita Systems/Information, and a look at back-up arrangements for data and the question of User/PC security. Chris Harris suggested that a good approach may be for Internal Audit to carry out an overall health check on the authority’s ICT, which would define areas of strength and weakness, which could then direct future Internal Audit work.

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RESOLVED that the strategy for Internal Audit, including the detailed Internal Audit Plan for 2009/1010 be endorsed, subject to the comments relating to ICT set out above.

18. **STATEMENT OF ACCOUNTS 2010/11 - IMPLEMENTING INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Committee considered a report of the Director of Resources with information about local authorities adopting Internal Financial Reporting Standards (IFRS) in 2010/11.

Currently local authorities produced accounts in line with UK financial reporting standards, adapted as appropriate for the statutory regime within which local authorities operated. This would change from 2010/11 when local authorities will be required to produce their accounts in line with IFRS. The report set out a table detailing the main challenges that would be necessary. The overall effect was that the Council's accounts would be likely to be less intelligible to the lay person.

Although 2010/11 was some way off, work needed to start now on some changes in order to collect information for the prior year figures that will appear in the 2010/11 accounts. The report contained an initial draft implementation plan designed to successfully implement the IFRS.

Implementing IFRS was a major project which would require significant time and effort, mainly from the Finance team but would also affect other service areas. At present there was no request for additional resources. However, the Audit Commission had already indicated in their fee proposals that there would be an increase of approximately 3% in fees to cover the additional work involved.

RESOLVED that the report be noted.

19. **AUDIT COMMITTEE WORK PROGRAMME**

The Committee received a work programme for future meetings in 2009/10.

20. **TERMINATION OF MEETING**

The meeting terminated at 6.58 p.m.