

AUDIT COMMITTEE

Meeting - 10 December 2009

Present: Mr Hollis (Chairman)
Mr Binns and Mrs Wallis

Apologies for absence: Mr Chapman, Mr Bullock and Mr Thomson

In attendance: Mr Chris Harris, Bentley Jennison (Internal Audit)
Mr Dan Harris, Bentley Jennison (Internal Audit)
Mr Mick West, Audit Commission (External Audit)
Mr Jon Barlow, Audit Commission (External Audit)

18. MINUTES

The minutes of the meeting of the Committee held on 24 September 2009 were confirmed and signed by the Chairman.

19. 2007/08 AND 2008/09 ACCOUNTS

The Committee considered a December update of the Annual Governance Report from the External Auditors dealing with the 2008/09 audit.

The Committee noted that this now confirmed that:

- An unqualified opinion on the 2008/09 financial statements had been issued.
- An unqualified value for money conclusion had also been issued.

The External Auditors added that they had yet to formally conclude the 2007/08 and 2008/09 audits, pending completion of the work on 2007/08 objection. A final comment was awaited from the objector on the Auditor's decision on the accounts, which would then allow the audit to be formally closed.

RESOLVED that the report be noted.

20. INTERNAL AUDIT PLAN 2010/11

The Committee received a presentation from the Internal Auditors about the possible Internal Audit coverage for the period 2010/11 - 2012/13. It was considered important that the Committee had an input to the shape and content of the Audit Plan before it was finalised.

The Committee received a draft schedule of possible audits to be covered, together with an explanation of how this had been built up. Using risk based methodology, a range of proposed audits had come forward by reference to the Council's risk register. In addition there were six areas that required auditing every year to meet regulatory requirements plus a number of key controls to be tested, to be agreed with External Audit.

The Committee was content with the general approach suggested on the Audit Plan. With reference to the role played by the Council as a facilitator or as an enabler, Members queried whether the Council's effectiveness could be measured through audit. The Auditors suggested this could be built into the audits entitled 'Community Engagement Review' and 'Customer Service Review'.

Arising from questions, the Committee noted that in addition to assurance reviews, the Auditors could undertake advisory reviews, if necessary involving specialist or consultancy resources. For instance a review could be undertaken of the Council's fees and charges, to ensure that charges are being made for all services that should be charged for, and fee levels are measured against those in other authorities. Of the 145 audit days allowed each year, approximately 85 days were taken up by the yearly/mandatory audits, leaving approximately 60 days to devote to risk based, advisory or

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value for money work. With reference to 'mystery shopper' surveys, this could be undertaken by auditors but it would be important that this did not duplicate existing mystery shopping commissioned.

RESOLVED that the Internal Audit Plan for 2010/11 - 2012/13 be drawn up, taking the above comments into account, and presented to the next meeting.

21. INTERNAL AUDIT UPDATE REPORT

The Committee received the Internal Audit Progress Report from Bentley Jennison, which was introduced by Chris Harris. The report was in the standard format and outlined the findings on the report finalised since the last meeting of the Committee.

Arrangements for elections - substantial assurance provided. Two merits attention recommendations had been made, which had been accepted by management.

Licensing - substantial assurance provided. Five merits attention recommendations had been made, which had been accepted by management.

Housing Benefit - substantial assurance provided. Two merits attention recommendations had been made, which had been accepted by management.

Council Tax - substantial assurance provided. Four merits attention recommendations had been made, which had been accepted by management.

National Non-Domestic Rates (NNDR) - substantial assurance provided. One significant and one merits attention recommendations had been made, which had been accepted by management.

Risk Maturity - this was a follow up to the Risk Maturity review carried out last year. The audit report confirmed that the Council had made a lot of progress since the 2008/09 review, especially around reporting of Operational Risks. Recommendations made had been implemented. The assurance level has remained the same at "risk defined" because the Council did not have the capacity to implement all recommendations relating to residual risks and action plans.

Health and Safety (Corporate) - adequate assurance provided. Five merits attention recommendations had been made, which had been accepted by management.

Two audits had reached the draft report stage, whilst two further reviews were in progress. Final reports would be brought forward in due course.

RESOLVED that the Internal Audit Progress Report be accepted.

22. MATERIALITY

The Committee considered a report of the Director of Resources inviting comments on the appropriate level of materiality for the SBDC accounts.

The report set out a lengthy definition of materiality as contained in the Code of Practice on Local Authority Accounting - A Statement of Recommended Practice (the SORP). Members recognised that accounts should always be as accurate as possible but there was an element of judgement to be made as to the detail of information chosen to be included in the accounts and whether information was material to the fair presentation of the financial position and transactions of the authority and the understanding of the accounts by a reader.

The report put forward some guideline levels for materiality - in the context of SBDC's gross revenue expenditure being £29m and the gross asset value being £45m:

Under £100,000 - Minor issue - unlikely to adjust for items below this level.

£100,000 - £250,000 - Depends on issue.

Over £250,000 - Likely to adjust for items over this level.

Over £500,000 - Approximate level that our external auditors consider to be material, and thus external audit are likely to expect adjustments of this scale to be made.

The Committee accepted the suggestions and it was

RESOLVED that the materiality guideline levels be endorsed for future use.

23. STATEMENT OF ACCOUNTS 2010/11 IMPLEMENTING IFRSS - UPDATE REPORT

The Committee considered a report of the Director of Resources with an update on preparations for adopting International Financial Reporting Standards (IFRS) in 2010/11.

Currently local authorities prepared accounts in line with UK Financial Reporting Standards, and although there had been some convergence with IFRS recently, there were significant changes to prepare for to produce the first set of IFRS compliant accounts covering the 2010/11 financial year. Because of the need for the 2010/11 accounts to fully restate prior year comparator figures, the 2009/10 accounts will firstly need to be produced in accordance with UK standards and then restated in line with international standards for inclusion as prior year comparators in the 2010/11 accounts.

The report contained a schedule detailing the main issues being introduced by IFRS and the progress on each. Whilst progress was on target, there remained a significant amount of further work to be done. A sum of £2,000 had been included in the 2010/11 draft budget to assist with valuation issues relating to implementing IFRS.

RESOLVED that the report be noted.

24. WORK PROGRAMME

The Committee received a Work Programme for future meetings in 2010/11.

25. OTHER BUSINESS

Arising from a report to a recent Policy Advisory Group meeting, a question was raised about some work to validate car park ticket data, with particular reference to tickets issued for the free half hour parking at The Broadway car park in Farnham Common. The internal auditors indicated that this was not currently in the Audit Plan but this would be looked at to see if it could covered.

The Committee was informed of the forthcoming merger of RSM Bentley Jennison with the Tenon Group PLC to form RSM Tenon, a company placed to provide a complete range of financial, audit, tax, risk and advisory services across the UK. The current Engagement Partner and account team dealing with the Council will be unchanged.

26. EXCLUSION OF PUBLIC

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act.

Farnham Park Charitable Trust - Appointment of External Auditors

(Paragraph 3 - information relating to the financial or business affairs of any particular person)

The Committee considered a report of the Director of Services about the audit of the Trust accounts. The Committee has recommended the Council on the appointment of a firm as external auditors for the Farnham Park Charitable Trust.