

**REPORT FOR DECISION**

Agenda Item	
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**MEETING:** AUDIT COMMITTEE

**DATE:** 3<sup>rd</sup> JUNE 2008

**SUBJECT:** REPORT ON THE EFFECTIVENESS OF THE AUDIT  
COMMITTEE 2007/08

**REPORT FROM:** HEAD OF INTERNAL AUDIT

**CONTACT OFFICER:** BARRIE STROTHERS

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**TYPE OF DECISION:** Non key.

**REPORT STATUS:** FOR PUBLICATION

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**PURPOSE/SUMMARY:**

This is a report to summarise the work carried out by this Committee over the 2007/08 financial year in order to show the effectiveness of this Committee and includes a self-assessment checklist (appendix to this report) to demonstrate that CIPFA guidance is complied with.

**OPTIONS AND RECOMMENDED OPTION:**

Members may accept or reject the report. It is recommended that Members accept the report which helps to show the Council are complying with recommendations issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Committee's acceptance of these recommendations at the 20<sup>th</sup> September meeting 2006.

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## IMPLICATIONS -

### Financial Implications and Risk Considerations

There are no direct resource implications arising from this report.

### Corporate Aims/Policy Framework: Do the proposals accord with the Policy Framework?

Yes.

### Equality/Diversity Implications

None.

### Are there any legal implications?

No.

### Considered by Monitoring Officer:

No

### Statement by Director of Finance And E-Government:

There are no direct financial implications arising from the report.

### Staffing/ICT/Property:

None.

### Wards Affected:

The work of the Audit Committee impacts on all of the Council's wards and Area Boards.

### Scrutiny Interest:

None.

## TRACKING/PROCESS

**DIRECTOR: Director of Finance & E-Gov**

Chief Executive/ Management Board	Executive Member/ Chair	Ward Members	Partners
Scrutiny Panel	Executive	Committee	Council
		Audit 3/6/08	

## 1.0 BACKGROUND

- 1.1 As part of its document 'Audit Committees; Practical Guidance for Local Authorities' CIPFA's Audit Panel have issued a Position Statement on the role of audit committees in local government which emphasises the importance of audit committees being in place in all principal local authorities.

1.2 The CIPFA guidance recommends that audit committees should have as their core functions to:

- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Approve (but not direct) internal audit's strategy, plan and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the head of internal audit.
- Consider the reports of external audit and inspection agencies.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

1.3 CIPFA have recognised the important role played by Audit Committees saying that they are a key component of corporate governance, a key source of assurance about the effectiveness of an organisation's control environment, and offer reassurance that the arrangements for managing risk are robust.

1.4 The Audit Committee meeting of 20<sup>th</sup> September 2006 approved a Statement of Purpose, adopted a set of Core Functions, and agreed that training sessions be provided to Members of the Committee at each scheduled meeting.

1.5 As part of this new arrangement, this report summarises the work carried out by the Committee during the 2007/08 financial year and includes an updated Self-Assessment Checklist to demonstrate compliance with the CIPFA guidance.

## **2.0 REPORTS BROUGHT BEFORE THIS COMMITTEE 2007/08**

2.1 There have been four meetings during the 2007/08 financial year.

### **On 28<sup>th</sup> June 2007**

#### *Training Session*

- Role and Function of the Audit Committee.
- Role and Function of Internal Audit.
- Role and Function of Strategic Finance Officer.
- Role and Function of KPMG.

#### *Reports*

- The Statement on Internal Control.

- The Statement of Accounts.
- Review of Financial and Risk Management (KPMG).
- The External Audit Inspection Plan 2006.
- Internal Audit Annual Report 2006/07.
- Progress reports from both External and Internal Audit.
- Member's feedback report.

**Delegated Decisions:-**

- That the Statement on Internal Control be accepted.
- In line with the provisions of the Accounts and Audit Regulations 2003, the Statement of Accounts for the 2006/2007 financial year was approved.
- The financing of the Capital Programme was approved.
- The renaming of the ICT Reserve was noted.
- The content of the Review of Financial and Risk Management report presented by KPMG was noted.
- The content of the External Audit Inspection Plan 2006 was noted.
- The conclusions in the Internal Audit Annual report were accepted.
- The content of the External Audit progress report was noted.
- Contents of the Internal Audit Progress report be accepted as the report helps the Council to fulfil its statutory obligations under the Accounts & Audit regulations 2003 (Amended 2006).

**On 19<sup>th</sup> September 2007**

*Training Sessions*

- Risk Management.

*Reports*

- Gifts & Hospitality.
- Quarterly Statement on Internal Control.
- Month 3 Finance & Performance Monitoring 2007/08.
- ISA 260 Report – KPMG.
- Final Statement of Accounts 2006/07.
- Progress reports from both External and Internal Audit.
- Member's feedback report.

**Delegated Decisions:-**

- Members affirmed their support for the importance of registering gifts and hospitality. Members endorsed the approach for declaring offers of gifts and hospitality, and the declarations made to date were noted.
- The content of the Statement of Internal Control was noted.
- The content of the finance and performance report was noted.
- The content of the ISA 260 report was accepted.
- Members agreed that the amendments to the accounts recommended by KPMG be approved.
- The final version of the Statement of Accounts for 2006/07 was approved in line with the provisions of the Accounts and Audit Regulations 2003.
- That the matters and issues arising from the audit and contained in the ISA 260 Financial Statement report were noted.
- Contents of the Internal Audit Progress report be accepted as the report helps the Council to fulfil its statutory obligations under the Accounts & Audit regulations 2003 (Amended 2006)

## **On 11<sup>th</sup> December 2007**

### *Training Sessions*

- Financial Management Standards in Schools.

### *Reports*

- Annual External Audit Report.
- Quarterly Statement on Internal Control.
- Review of Ethical Governance.
- Month 6 Corporate Monitoring Report.
- Progress reports from both External and Internal Audit.
- Member's feedback report.

### **Delegated Decisions:-**

- The content of the External Audit Report was noted.
- The content of the Statement on Internal Control was accepted.
- The content of the Ethical Governance Report was noted.
- Contents of the Internal Audit Progress report be accepted as the report helps the Council to fulfil its statutory obligations under the Accounts & Audit regulations 2003 (Amended 2006).

## **On 26<sup>th</sup> February 2007**

### *Training Sessions*

- Business Continuity.

### *Reports*

- Local Area Agreements (LAA) – Stage 1 – KPMG.
- Annual External Audit Report.
- Month 9 Budget Monitoring Report.
- Gifts and Hospitality.
- Anti-Fraud and Corruption Strategy (incorporating the Anti-Money Laundering Guidance).
- Review of Ethical Governance Survey – Results.
- Internal Audit Annual Plan 2008/09.
- Progress reports from both External and Internal Audit.
- Member's feedback report.

### **Delegated Decisions:-**

- The content of the LAA report was noted.
- The content of the Annual External Audit Report was noted.
- The content of the month 9 budget monitoring report was accepted.
- The content of the Gifts and Hospitality Report was noted.
- The revised version of the Anti-Fraud and Corruption Strategy was accepted along with the addition of Anti-Money laundering guidance.
- The Members endorsed the nomination of the Head of Internal Audit to act as the Money laundering Officer on behalf of the Authority.
- Members accepted that the Ethical Governance Survey should be redesigned and re-issued with a larger sample.
- The members accepted that the Whistleblowing Policy should be re-launched.
- The Internal Audit Plan for 2008/09 was accepted.
- Contents of the Internal Audit Progress report be accepted as the report helps the Council to fulfil its statutory obligations under the Accounts & Audit regulations 2003 (Amended 2006).

- 2.2 In addition to these reports and training sessions, the Committee has also read 79 audit reports containing 454 recommendations of which 96% were accepted.
- 2.3 There have been training sessions prior to each Committee during 2007/08 reflecting the increased importance given to having well informed Members on the Audit Committee.

### **3.0 FORWARD PLAN (may be subject to changes)**

- 3.1 There are five Audit Committee meetings scheduled to take place during the 2008/09 Municipal year.

#### **3rd June 2008**

- New Member Training.
- Annual Governance Statement.
- Internal Audit Annual Report 2007/08 (including a review of the effectiveness of internal control).
- Review of the Effectiveness of the Audit Committee 2007/08.
- Risk Management Annual Report.
- KPMG Audit and Inspection Plan 2008/09.
- Service prioritisation Report – KPMG.
- Integrated Social Needs Transport Report – KPMG.
- 2008/09 External Audit Progress Update.

#### **26<sup>th</sup> June 2008**

- Statement of Accounts 2007/08.

#### **23<sup>rd</sup> September 2008**

- Training – Capital Expenditure.
- Quarterly Governance Statement.
- Gifts & Hospitality/Declarations of Interest.
- Month 3 Budget Monitoring Report.
- KPMG – ISA 260.
- Internal Audit CIPFA Benchmarking results.
- 2008/09 External Audit Progress Update.
- 2008/09 Internal Audit Progress Update.

#### **9<sup>th</sup> December 2008**

- Training – System Changes (History and Future).
- Quarterly Governance Statement.
- Gifts & Hospitality/Declarations of Interest.
- Month 6 Budget Monitoring Report.
- Annual External Audit Report 2007/08.
- 2008/09 External Audit Progress Update.
- 2008/09 Internal Audit Progress Update.

#### **24<sup>th</sup> February 2009**

- Training – Budget Setting.
- Quarterly Governance Statement.
- Gifts & Hospitality/Declarations of Interest.
- Month 9 Budget Monitoring Report.

- Internal Audit Plan 2009/10.
- 2008/09 External Audit Progress Update.
- 2008/09 Internal Audit Progress Update.

#### **4.0 CONCLUSION**

4.1 It is felt that the current Audit Committee complies with the features of such a Committee as expressed by CIPFA, specifically that:-

- We have a strong Chairperson displaying depth of skills and interests.
- A Committee with unbiased attitudes.
- A Committee with the ability to challenge the Executive when required.
- A membership that is balanced, objective, independent of mind, and knowledgeable.

4.2 In the opinion of the Officers attending the Audit Committee, the support given by Members is invaluable to Officers in reinforcing the message of sound governance. In particular, members of the Committee insisting on responses to audit recommendations being timely help the audit team to realise in a practical way, the support they have from their Audit Committee.

#### **List of Background Papers:-**

Audit Committees; Practical Guidance for Local Authorities (CIPFA 2005).  
Internal Audit Reports issued throughout the course of the year.  
Audit Committee minutes.

#### **Contact Details:-**

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