

AUDIT COMMITTEE

MEETING, 5TH DECEMBER , 2007

Present – Councillors J. Walsh (Chairman), Connell, Hamilton and Morgan (as deputy for Councillor R. Allen)

Also in attendance

Mr. S. Arnfield	-	Director of Corporate Resources
Mr. J. Midlane	-	Head of Internal Audit and Risk
Mr. M. Nutter	-	Corporate Risk Officer
Mr. A. Mee	-	KPMG
Mr .R. Lee	-	KPMG
Mr. A. Jennings	-	Democratic Services Manager

Councillor J. Walsh in the Chair.

19. MINUTES

The minutes of the proceedings of the meeting held on 25TH September, 2007 were submitted and signed as a correct record, subject to the inclusion of the word “uncorrected” between the words “any” and “issues” in paragraph (b) of Minute 17 Audit Memorandum.

20. INTERNAL AUDIT UPDATE

The Head of Internal Audit and Risk submitted a report that informed the Committee of the work undertaken by the Internal Audit Section to the end of October 2007.

A summary of the non schools activity of the section to 31st October , 2007 was as follows:

2006/07 completed and reports issued 5

2007/08 audit reports issued: 18

2007/08 audits started and ongoing 35

A summary of the findings from the reports issued to date were included at Appendix A to the report.

In addition to the above the Internal Audit Section continued to provide assessments for schools, this included bringing together the normal schools audit with an assessment of the Financial Management System in Schools (FMSIS).

In 2007/08 FMSIS had been extended to primary schools and Internal Audit would be undertaking reviews of 42 schools by 31st March 2008.

On the basis of the work carried out by internal audit and the records made available the Head of Internal Audit and Risk was of the opinion that ,overall ,the internal control environment of the Authority was adequate and effective and there were no significant areas which needed bringing to the Committee's attention.

Resolved – That the Internal Audit activity to 31st October ,2007 be noted ,together with the opinion on the internal control environment .

21. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

The Head of Internal Audit and Risk submitted a report that Informed the Audit Committee of the progress made with the implementation of Internal Audit recommendations .

It was explained that following individual audit reviews Internal Audit made recommendations on three levels; high, low and medium. High recommendations needed to be implemented immediately, medium recommendations within 6 months of the report and low recommendations when resources allowed. The Head of Internal Audit & Risk reported to individual

departmental management teams every six months detailing the reports issued to each department and whether the agreed recommendations had been implemented.

The report summarised the latest round of reports taken to management teams.

During April 2005 to November 2006 62 formal audit reports were issued and these contained 309 high, 217 medium, and 8 low recommendations; an analysis by department was attached at Appendix A to the report.

Progress with the implementation of internal audit recommendations was good with only 7% of all recommendations outstanding. There were specific issues where recommendations were still outstanding and these areas were constantly monitored by departmental and internal audit staff.

Members felt that those areas outstanding should be reported to the next meeting as to their progress.

Resolved – That the report be noted and updates be provided as to those areas shown as outstanding.

22. EXTERNAL AUDIT AND INSPECTION PLAN 2006/07 AND 2007/08 – PROGRESS REPORT

KPMG submitted a progress report on the 2006/07 and 2007/08 External Audit and Inspection Plan which included comments on the progress made.

Resolved – That the progress report be noted.

23. USE OF RESOURCES AUDITOR JUDGEMENT

KPMG submitted the Use of Resources Auditor Judgements which evaluated how well the local authority managed and used its financial resources and focused on the importance of having sound and strategic financial management to ensure

that resources were available to support the Authority's priorities and improve services covering the five themes of financial reporting; financial management; financial standing; internal control and value for money.

This was the third year that this had been undertaken and it was noted that the Audit Commission had raised the requirements across all of the themes.

The overall use of resources assessment would be reported to the Authority by the Audit Commission on 10th December, 2007 and would be reported to the Executive.

The report provided an analysis of the five themes in detail together with their score and key areas for improvement.

Overall the Council was now demonstrating that it had embedded its processes towards a level 4 in some areas . The Authority had improved its score with respect to how the Council managed its performance against budgets and its asset base but had gone from a 3 to a 2 with respect to arrangements in place to promote and ensure probity and propriety in the conduct of its business. It was reiterated that the standards had been raised across all themes and that an action plan was in place to deal with this matter which would be submitted to the Committee in January, 2008 . The Director of Corporate Resources indicated that he was not overly concerned as the Authority had made great strides to move forward towards level 4 performance which was reiterated by KPMG.

Resolved – That the report and use of resources judgements be noted ,together with the proposed actions

24. INTERNAL AND EXTERNAL AUDIT -ANNUAL UPDATE - ORAL REPORT

The Chairman reported that it was recognised best practice for the Committee to meet with representatives of internal and

external audit, in the absence of the Director of Corporate Resources, to discuss any issues of concern.

KPMG and the Head of Internal Audit reported that there were no issues of concern.

Members felt that the Committee should examine its remit to ensure that it was covering the relevant areas of the Authority's work , particularly in the light of the review of the Committee's work undertaken by KPMG which would be reported to the January ,2008 meeting . It was also considered that some form of self assessment could be undertaken to provide guidance as to which areas could be considered.

Resolved – That the position be noted.

25. SPECIAL MEETING

Resolved – That a special meeting of the Committee be held on Wednesday, 23rd January, 2008 at 10.30 am.