

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL,
PETERBOROUGH ON 1 JUNE 2009**

Present: Councillors M Dalton (Chairman), Gilbert, Kreling and Rush.

Officers in attendance: Steve Crabtree, Chief Internal Auditor
John Blair, Head of Strategic Finance
Andrew Edwards, Head of Strategic Property
Claire Boyd, Lawyer
Gemma George, Governance Officer

1. Apologies for Absence

Apologies were received from Councillor North, Councillor Harrington and Councillor Hussain.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest.

3. Minutes of the Meeting Held on 30 March 2009

The minutes of the meeting held 30 March 2009 were approved as an accurate and true record.

4. Annual Audit Report from the Chair of Audit Committee

The Committee received a report which detailed its work during the municipal year 2008 / 2009. Key achievements and developments in internal control, risk management, internal audit, anti fraud, external audit and financial reporting were highlighted.

Members of the Committee had been issued with an Audit Committee Handbook which identified the key activities and work delivered through the Committee. Best practice within the publication established a need to highlight to a wider audience the works undertaken by the Committee and to enhance its profile across the organisation.

Members questioned whether the Audit Committee Handbook would undergo a review at some point during the year. Members were advised that the Handbook would undergo ongoing reviews, the timing of which would be in relation to key aspects of the Audit Committee cycle and changes in best practice.

ACTION AGREED:

The Committee approved the Annual Audit Report from the Chair of Audit Committee.

5. Internal Audit Annual Report 2008 / 2009

The Director of Strategic Resources submitted a report which detailed the performance of Internal Audit during 2008 / 2009 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council, which was based on findings from completed internal audits.

The Internal Audit Opinion was based on review work undertaken during the period April 2008 to March 2009.

Summaries of work carried out by Internal Audit were documented within the opinion, and, overall it was considered that Internal Audit could place significant assurance on the control environment. As a result an unqualified opinion was provided. Where systems had fallen below expected standards, details of these had been documented separately throughout the annual report and in previous quarterly updates. Ongoing internal performance indicators were monitored and their levels of achievement were included for information purposes and scrutiny.

Members were invited to comment on the report and the following issues and observations were highlighted:

- Members requested a further explanation into the comparison of the work undertaken during the 2008 / 2009 year, against the work undertaken the previous year. Members were advised that 62 reports had been produced during 2008 / 2009 - 5 of which had been issued with Full Assurance. The number of reports produced the previous year had been higher - 94 issued - this was due to the number of school audits conducted, follow up works and a larger team. There had been 8 recommendations made in 2008 / 2009 of a Critical nature (5 in 2007 / 2008). Overall there had been a 50% reduction in the total number of recommendations made, reflected in the lower number of reports issued.
- Members commented on the reduction in the number of systems which had been audited. Members were advised that main systems had been process mapped to demonstrate the flow of information through the system. These had then been reviewed with a series of walk through tests rather than full reviews.
- A query was raised regarding how significant control weaknesses which had been identified, could be progressed. Members were advised that major weaknesses identified were either rated as No Assurance or Limited Assurance. All weaknesses needed to be addressed and action plans for implementation of improvements would be progressed within six months. These would be followed up in line with the Audit Charter.
- Highlighted in Appendix C of the Internal Audit Report 2008 / 2009 performance indicators, Members sought clarity on the process for the reduction in the target level for the average number of days between fieldwork completion and issue of the draft audit report. Members were advised that the audit team were using an audit automated solution. Working papers could be completed online and would be able to be fed back into the system for verification and quality control. Once the papers had been approved, individuals could then produce reports. This process would minimise both risks and time taken to complete.
- Further highlighted in Appendix C of the Internal Audit Report 2008 / 2009 performance indicators, Members questioned the actual percentage achieved of critical / high priority recommendations to be implemented. The annual target had been 100%, therefore why had only 89% been achieved. Members were advised that critical recommendations were always expected to be delivered and implemented. However, alternative solutions could be put in to place which meant that the recommendations had not been implemented.
- A query was raised regarding the working days lost to sickness per full time employee, as highlighted in Appendix C of the Internal Audit Report 2008 / 2009 performance indicators. At the end of the financial year, there were two long term staff sicknesses being managed through Occupational Health. If these long term sicknesses were removed from the overall figures, what would the actual figure per full time employee be? Members were advised that that actual figure would be below 2 days lost to sickness per employee.
- Following several queries relating to the performance indicators, Members were informed that they would receive a copy of the current Audit Charter, which would then be reviewed by the Chief Internal Auditor and would emulate any changes or improvements which were reflected in the performance indicators.

- Members commented on the lack of responses received from some departments who had been audited and the possible ways that this situation could be progressed forward. It was suggested that improved protocols could be implemented with regards to following up late responses to Draft Audit Reports. This would include a separate letter of endorsement from the Chief Internal Auditor and the Chair of the Audit Committee and reiterating the importance of responses by inviting officers to attend future Audit Committee meetings to explain their performance in implementing audit recommendations and the controls in their systems / departments.
- Members expressed concern that an audit identified the appointment of a team manager with a previous unspent conviction for theft at the time of their recruitment, as highlighted in Appendix B. Members were advised that the individual had been initially appointed into a separate role which did not relate to, or have any involvement with monies.
- Members further commented on the following issues contained within the Internal Audit Annual Report 2008 / 2009:
 - Private Fostering Audit highlighted in the Audit Assignment table in Appendix A, was showing a status of “insufficient evidence to form a view”. This should be flagged as a high priority for 2009/2010 and a view should be formed as soon as possible.
 - The Urban II report in Appendix B of the Internal Audit Annual Report 2008 / 2009, brought up some issues which highlighted a lack of management and direction.

ACTION AGREED:

The Committee:

- (1) Received and considered the Chief Internal Auditor’s Annual Report for the year ended 31 March 2009; and
- (2) Noted the report of Internal Audit’s performance.

6. Draft Annual Governance Statement 2008 / 2009

The Chief Internal Auditor submitted a report which provided details of the findings of the 2008 / 2009 Annual Review of Internal Control Arrangements and sought approval to the draft Annual Governance Statement (AGS), prior to its incorporation in the Statement of Accounts.

The Accounts and Audit Regulations 2003 (amended 2006) required the Council to conduct annual reviews of the system of internal control and publish an AGS within its annual financial statements. The format of the AGS was required to be in accordance with CIPFA ‘proper practice’. The CIPFA Finance Advisory Network had also issued detailed practical guidance on meeting the requirements of the Accounts and Audit Regulations 2003 (amended 2008).

Central to CIPFA’s guidance were the following steps:

- Identify statutory obligations and organisational risks;
- Identify principal risks to the achievement of objectives;
- Identify and evaluate key controls to manage risks;
- Obtain assurance on the effectiveness of key controls; and
- Evaluate assurances and identify gaps in controls / assurances.

The guidance highlighted the links between the production of the AGS and the Annual Corporate Governance Review.

The report sought to record the Council’s assurance framework used to support the AGS 2008 / 2009. The methodology comprised of the following stages:

- Corporate Risk Profile and the Assurance Framework;
- Performance Management Framework;
- Review of effectiveness of Internal Audit;
- Review of Corporate Governance;
- Significant Partnerships;
- Directorate Assurance Statements;
- View of External Audit; and
- View of Internal Audit and Investigations.

The draft statement represented a true and fair reflection of the corporate responsibility within the Council.

Members were advised that the final version of the Annual Governance Statement would be submitted to the next meeting of the Audit Committee.

ACTION AGREED:

The Committee:

- (1) Reviewed the supporting appendices (A – G) used to establish assurance on the governance arrangements within the Council;
- (2) Reviewed the Annual Governance Statement (Appendix H), which included any areas which should have been amended; and
- (3) Agreed and approved the draft statement for inclusion in the Statement of Accounts.

7. Update and Feedback Report

The Chief Internal Auditor submitted the latest Update and Feedback Report for consideration and briefly outlined forthcoming items to the Committee.

There were no requests from the Committee for any further information to be provided.

ACTION AGREED:

The Committee noted the Feedback and Update Report.

8. Audit Committee Work Programme (Including Training Needs)

The Chief Internal Auditor submitted the latest version of the Work Programme 2009/2010 for consideration and approval.

Members were informed that the Fraud and Irregularity Report, which had originally been scheduled for the meeting held on 1 June 2009, would be presented to the next meeting of the Audit Committee.

Members were further informed that a training session on the Annual Accounts would be held before the next meeting of the Audit Committee, commencing at 6.00 p.m.

ACTION AGREED:

The Committee noted and approved the latest version of the Work Programme.

The meeting closed at 7.45 pm

