

REPORT OF THE AUDIT COMMITTEE

Meeting held on 30th September, 2005.

Membership:

Councillors: A.C.R. Chappell (Chairman), Mrs. P.A. Andrews, Mrs. J.P. French, T.M. James, R.I. Matthews, R.J. Phillips, Mrs. S.J. Robertson.

CHAIRMAN

1. Councillor A.C.R. Chappell was elected Chairman of the Committee for the ensuing year.

AUDIT COMMITTEE TERMS OF REFERENCE

2. Council, at its meeting on 29th July, 2005, agreed that an Audit Committee be established with membership broadly reflecting the political proportionality of the Council. At this, its inaugural meeting, the Committee has noted its terms of reference which are: to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment. Also independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and to oversee the financial reporting process.
3. In order to ensure its independent status the Committee has elected a Chairman who is not a member of the Executive. It has proposed that for the future, the membership of the committee be revised to allow a Chairmen who is not an elected Member.

CIPFA POSITION STATEMENT ON AUDIT COMMITTEES

4. The Committee has received a position statement from CIPFA which recognises that individual councils will have different arrangements for managing and governing themselves. However, it has identified a number of features which should be common to all. A Statement of Purpose should be approved which identifies core functions, highlights good Audit Committee characteristics and highlights structure and administration good practice. The Position Statement is being developed into practical guidance which will be made available shortly. The Committee will receive an update as the position develops. The Committee felt that having a non-elected member as Chairman would be key to demonstrating the Committee's independence from Cabinet and Scrutiny.

EXTERNAL AUDIT 2004/05

5. The Committee has received a progress report as the external audit for the financial year 2004/05 approaches its conclusion. A number of issues have been raised by the Auditors and ongoing discussions are taking place. A copy of the final Statement of Accounts will be circulated to all Members when approved.

AUDIT SERVICES ASSURANCE REPORT

6. The Committee has considered a report on Audit Services activity during the year 2004/05 and on the council's overall level of internal control. It has noted that the Audit Opinion is satisfactory. Two areas identified for attention are the Council's overall business continuity arrangements and the overspend in the Social Care budget. The Committee has discussed the benefits of the Emergency Planning Unit reporting directly to this Committee on this aspect of its work. It has noted that an action plan has been put in place to minimise the risk relating to the Social Care budget. This includes control of spending decisions relating to non-staffing budgets; modernisation of the Learning Disability Service to include assessment practice improvements, accommodation and modernisation of day opportunities, and negotiations with the Primary Care Trust on sharing risk.

CORPORATE INTERNAL CONTROL AUDIT OPINION 2004/05

7. To comply with the CIPFA Code of Practice for Internal Audit in Local Government, the Committee has considered a report on the approach and level of the Audit Opinion on the Council's overall internal control environment, based on the Audit Strategy, which was previously approved by Cabinet. The Head of Internal Audit has reported a satisfactory system of internal control.

FUNDAMENTAL SYSTEMS, AUDIT OPINIONS AND RESULTING RECOMMENDATIONS

8. The Committee has received a progress report on the Council's fundamental Systems, the types of Audit Opinion given by Audit Services and the proposed action that will be taken by Audit Services on critical audit recommendations. The Council has currently identified 17 systems as business critical. All Fundamental Systems are reviewed annually and the procedure notes updated.
9. As part of the audit process, all audit reviews are given an audit opinion ranging from unsound (major risks identified; fundamental improvements are required) to good (a few minor recommendations (if any)). In addition audit recommendations are ranked in relation to their level of risk. It is intended that all recommendations at Level 1/Critical (non-compliance will be a high risk to the Council), and the actions taken by management, will be reported to the Audit Committee.

CORPORATE RISK MANAGEMENT AND AUDIT PLANNING

10. The Committee has received a report on the link between the Council's Corporate Risk Management and Audit Planning. It has noted that a revised Risk Management Strategy had been approved by Cabinet on 15th April, 2004. The approach to preparing the Annual and Strategic Plan is based upon the Council's Risk Strategy and covers risk assessments in the following areas: fundamental systems, non-fundamental systems, corporate governance arrangements to include anti-fraud arrangements, best value performance indicators, risk management arrangements, ICT protocols and controls, establishment visits and verification and probity reviews. In addition to each area being assessed for potential risk, consideration is also given to residual risk for specific functions or establishments based on their last audit opinion and current knowledge, including risk management reports to the Corporate Management Board. The final version of the Audit Plan is cross referenced to the Corporate and Directorate Risk Registers.

**A.C.R. CHAPPELL
CHAIRMAN
AUDIT COMMITTEE**

BACKGROUND PAPERS

- Agenda papers of the meeting of the Audit Committee held on 30th September, 2005.