

**MINUTES OF THE AUDIT COMMITTEE
MONDAY, 26 JULY 2010**

Councillors Khan (Chair), Amin (Vice-Chair), Diakides, Meehan, Bloch and Solomon

Apologies Councillor Gorrie

MINUTE NO.	SUBJECT/DECISION	ACTION BY
PRAC17.	APOLOGIES Apologies for absence were received from Cllr Gorrie, for whom Cllr Solomon was substituting.	
PRAC18.	URGENT BUSINESS There were no items of urgent business.	
PRAC19.	DECLARATIONS OF INTEREST There were no declarations of interest.	
PRAC20.	MINUTES RESOLVED That the minutes of the meeting held on 24 June 2010 be approved and signed by the Chair.	
PRAC21.	DEPUTATIONS AND PETITIONS There were no deputations or petitions.	
PRAC22.	AUDIT COMMITTEE UPDATE FROM GRANT THORNTON Paul Hughes, Grant Thornton, presented the progress report. It was reported that audit work on the accounts had commenced and there were no significant issues identified to date, a date had been set for the next IFRS progress meeting and the Value for Money conclusion would be reported to the November Committee meeting. It was confirmed that there were no outstanding issues for the attention of the Committee. RESOLVED That the content of the report be noted with the concluding remarks of the external Auditor-Grant Thornton that there were no issues to report to this committee.	
PRAC23.	ACCOUNTS AUDIT APPROACH MEMORANDUM 2009/10 Paul Hughes, Grant Thornton, presented the Accounts Audit Approach Memorandum, which outlined the areas to be focussed on as part of the	

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	<p>overall accounts audit work. The report also contained a number of statutory disclosures. Key items were the capitalisation of loss on Icelandic investment, fixed assets valuation, financial targets and IFRS.</p> <p>The Committee asked about the recent email sent by the Chief Executive relating to an overspend in the current financial year, and whether the Council's financial reporting mechanisms were sufficiently robust to prevent such occurrences. The Director of Corporate Resources clarified that the overspend was an annualised projection to Year End, and the fact that this had been flagged up at an early stage demonstrated the effectiveness of the reporting mechanisms in place. Grant Thornton advised that the Audit Commission was developing a new focus on value for money work for 2010/11, centred on financial resilience in current arrangements and future plans, and that local authorities would receive a clear audit perspective on these issues in the forthcoming year.</p> <p>The Chair requested that the External Auditor note that the Audit Committee, wished to be advised if at any time the external auditors may have any concern, while auditing the accounts of the Council, in respect of the discharge of the duties & responsibilities of the Council, regarding the economic, effective and efficient management of the affairs of the council. In response to a question from the Chair, the external auditors, internal auditors and the Section 151 Officer confirmed that they believed that the Audit Committee was discharging its' duties and responsibilities as it should be, in line with its terms of reference.</p> <p>Taking into account the comments made during the discussion, it was:</p> <p>RESOLVED</p> <p>That the content of the report be noted.</p>	
<p>PRAC24.</p>	<p>PROGRESS REPORT ON COUNTER FRAUD ACTIVITY RELATING TO HOUSING BENEFIT AND COUNCIL TAX BENEFIT</p> <p>Ian Biggadike, Deputy Head of Benefits and Local Taxation, presented the report on key areas of counter fraud activity relating to housing benefit and council tax benefit. Sanctions for the first quarter were below target, but were higher than the previous year and it was anticipated that sanctions would meet the target for the year.</p> <p>In response to a question from the Committee regarding the ongoing software problem affecting reporting of recovery performance, it was clarified that this had no impact on recovery work itself. It was anticipated that the software problem would be resolved by the end of July and that it would be possible to report recovery information in the next quarterly update. Mr Biggadike clarified the position whereby a 40% subsidy was provided by the Government for overpaid benefits, and that the Council was then entitled to retain the amount recovered, even if this exceeded 60% of the total amount.</p>	

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	<p>The Committee requested information on the recovery rates and the cost of recovery work, and it was agreed that Mr Biggadike would supply this information outside the meeting.</p> <p>RESOLVED</p> <p>That the content of the report and the work being carried out by the Benefits and Local Taxation Service in relation to Counter Fraud activity be noted.</p>	
<p>PRAC25.</p>	<p>INTERNAL AUDIT PROGRESS REPORT - 2010/11 QUARTER 1</p> <p>Anne Woods, Head of Audit and Risk Management, presented the first quarter Internal Audit progress report. It was reported that implementation of Priority 1 recommendations remained at 100% and it was reported that a detailed report on the implementation of the remaining recommendations would be brought to the next meeting of the Committee. In relation to the Financial Management Standard in Schools report, it was reported that one school had been failed as a result of not being ready for audit.</p> <p>In response to a question from the Committee regarding whether the work of the Internal Audit service was sufficiently known, the Head of Audit and Risk Management reported that the in-house team had numerous referrals from managers and that, while these were not always fraud cases, in many instances the team worked with managers on the implementation of controls as a result of the issues identified.</p> <p>Whilst all priority 1 recommendations had been completed the Committee expressed concern that priority 2 and 3 recommendations had still not been implemented after a year, as this was not acceptable. Members felt that the officers concerned should be required to explain to the Committee why recommendations had not been implemented. In response to a question as to whether the implementation of audit recommendations formed a part of officer appraisals, the Director of Corporate Resources reported that this did happen in some cases, although it was not known if this was universally adopted. Cllr Meehan advised that as Chair of the Remuneration Committee, he would be taking this issue up with the Head of Human Resources.</p> <p>In response to a question from the Committee, the Head of Audit and Risk management confirmed that all recommendations were discussed when being set out and were felt by the internal audit service to be realistic. The Committee emphasised that, in the current financial climate, it was vital for managers to take audit recommendations seriously, and expressed concern if it was the case that managers were not cooperating fully with the internal audit service. The Committee agreed that a report should be presented to the next meeting on outstanding recommendations of all priorities, and that the officers responsible for any recommendations outstanding after 6 months or more should be asked to attend the meeting to explain the reasons for this. The Chair suggested that the Section 151 Officer look into practical</p>	

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	<p>ways of managing this for the next meeting. Members advised that lack of time in the Committee meeting should not be a reason for responsible officers not having to explain incomplete recommendations, and that, if it was necessary, a special meeting of the Committee could be convened.</p> <p>Taking into account the comments made during the discussion it was:</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That the audit coverage and progress during the first quarter 2010/11 be noted; ii) That the progress and responses received in respect of outstanding audit recommendations be noted; iii) That the actions taken during Quarter 1 to address the outstanding recommendations be noted, and that a full report on outstanding recommendations be presented to the next meeting of the Committee, with responsible officers being required to explain the reasons for recommendations outstanding for 6 months or more to the Committee; the Section 151 Officer to determine how to manage this within the time available to the Committee, if necessary an additional meeting to be organised. 	
<p>PRAC26.</p>	<p>RISK MANAGEMENT UPDATE - QUARTER 1 2010/11</p> <p>Anne Woods, Head of Audit and Risk Management, presented the risk management update for the first quarter 2010/11. It was reported that three risk registers were due for review and update during July.</p> <p>The Chair advised the Committee that risk register number 20 in the report, Safeguarding/JAR, was new and had been established in accordance with a recommendation made by the Audit Committee. The Chair also requested that the three risk registers due for review in July be followed up to ensure that these were completed. At the request of the Chair, the Head of Audit and Risk Management had circulated the Council's policy and strategy for managing risk registers for the benefit of new and old members of the Committee and the Chair encouraged all Committee Members to read the full policy in order to better understand the Risk Management updates.</p> <p>In response to a question from the Committee, the Head of Audit and Risk Management confirmed that the report gave an update on whether risk registers had been reviewed, but did not take a view on the content of the risk registers themselves. It was reported that as part of the audit plan each year a number of the risk registers were tested on a rolling programme to ensure that they reflected service priorities and offered controls in accordance with best practice. The risk registers themselves were reported as being internal management documents and the Chair advised that the Corporate Risk Register was monitored by Chief Executive's Management Board, the Cabinet and the Audit Committee.</p>	

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	<p>The Chair advised that it had been requested that the Audit Committee be provided with the full details of all risk registers, however it had been determined that the volume of these was too large for circulating to the Committee and the Section 151 Officer was now responsible for monitoring the content of the risk registers on behalf of the Committee.</p> <p>Taking into account the comments made during the discussion, it was:</p> <p>RESOLVED</p> <p>That compliance with the risk management strategy for the completion of risk registers across the Council be noted.</p>	
<p>PRAC27.</p>	<p>REPORT ON THE WORK OF THE AUDIT COMMITTEE 2009/10</p> <p>Anne Woods, Head of Audit and Risk Management, presented the proposed report to Full Council on the work of the Audit Committee during 2009/10.</p> <p>The Chair advised Members that the report was set out along the lines of subjects covered by the Committee rather than the meetings held. The Committee agreed that the report seemed comprehensive and clear, but it was suggested that, in light of the discussion earlier in the meeting, a line be added to the report indicating the Committee's emphasis in the forthcoming year on addressing the issue of outstanding audit recommendations, in order to raise awareness of this issue at Full Council.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> i) That, with the addition of a line on the Committee's focus on tackling the issue of outstanding audit recommendation, the draft report on the work of the Committee during 2009/10 be approved. ii) That the final version of the report be presented to the next available Full Council meeting for information. 	
<p>PRAC28.</p>	<p>NEW ITEMS OF URGENT BUSINESS</p> <p>There were no new items of urgent business.</p>	
<p>PRAC29.</p>	<p>DATE OF NEXT MEETING</p> <p>14 September 2010, 7.30pm.</p> <p>The meeting closed at 20:25hrs.</p>	

COUNCILLOR GMMH RAHMAN KHAN

Chair