

## **AUDIT COMMITTEE**

**TUESDAY, 22 JUNE 2010**

PRESENT:- Councillors Michael Dickinson (Chair), Nick Martin, Eric Shaw, Des Moffatt (Vice-Chair) and Junab Ali

Councillor Mark Edwards, the Cabinet Member for Finance and Resources, was also in attendance.

An apology for absence was received from Councillors Peter Stoddart.

### **1. Declarations of Interest**

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting. No declarations of interest were made.

### **2. Public Question Time**

No public questions were made under Standing Order 18.

### **3. Minutes**

Resolved – That the Minutes of the meeting held on 20<sup>th</sup> April 2010 be confirmed and signed.

### **4. Exempt Items - Exclusion of Press and Public**

That, in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to in the items listed below on the grounds that they involve the likely disclosure of exempt information as defined in the respective paragraphs of Part 1 of Schedule 12A of the Act.

<u>Item No.</u>	<u>Paragraph No.</u>	<u>Minute No.</u>
15	2	14

### **5. The Treasury Management Strategy, Prudential Indicators 2010/11 and Annual Investment Strategy 2010/11 and Performance for 2009/10**

The Committee received a report of the Director of Finance, introduced by the Group Finance Manager (Technical, Corporate Finance) regarding the revised CIPFA Treasury Management Code of Practice 2009, incorporating revisions introduced in response to the Icelandic Banking situation in 2008, and the recommendation that each local authority must delegate the role of Scrutiny or Treasury Management Strategy and Policies to a specific named body. It was noted that Cabinet had approved that the Audit Committee should act this body at its meeting in February 2010. The report also advised on changes to the CIPFA Treasury Management Code of Practice, the Treasury Management Strategy and

Annual Investment Strategy for the Council for 2010/11 and prudential indicators for the period 2010/11 to 2012/13, the Minimum Revenue Provision (MRP) Policy for 2010/11 and Treasury Management Performance for 2009/10.

Resolved – (1) That the report and, in particular, the enhanced role of the Audit Committee in relation to the scrutiny of the Council's Treasury Management Strategy and Policies be noted.

(2) That the Group Finance Manager (Technical, Corporate Finance) be thanked for attending the meeting and for his useful and informative presentation of the report and his responses to members' questions.

## **6. Statement of Accounts 2009/10**

The Director of Finance submitted a report introducing the Pre-Audited Statement of Accounts for the Financial Year 2009/10 for the Committee's consideration and approval.

Resolved – (1) That the Pre-Audited Statement of Accounts for the Financial Year 2009/10 be approved for signing off by the Chair.

(2) That it be noted that the Audited Statement of Accounts would be submitted to a future meeting of the Committee for more detailed scrutiny.

(3) That the Director of Finance and his Team be thanked for their hard work in producing the Statement of Accounts 2009/10.

## **7. Audit Committee: Annual Report for the year 2009/10**

The Head of Internal Audit submitted a report introducing the Committee's Annual Report for 2009/10.

Resolved – (1) That the report be noted.

(2) That this Committee confirms that, when possible, and where existing budgetary provision permits, it would support members' requests to attend appropriate training courses and seminars, particularly in relation to Corporate Governance issues.

## **8. Annual Governance Statement**

The Head of Internal Audit submitted a report providing the Committee with details of the draft Annual Governance Statement, setting out the Council's governance arrangements.

Resolved – That the draft Annual Governance Statement, appended to the report, be approved for signing off by the Leader of the Council and the Chief Executive.

## **9. External Audit**

### External Audit – Annual Audit Letter

Mr Peter Smith of the Council's External Auditors presented the Audit Commission's Annual Audit and Inspection Letter 2008/09. Mr Smith summarised the work undertaken by the External Auditors during the 2008/09 Financial Year and highlighted the key messages of the Audit Commission's assessment of the Council's performance.

Resolved – (1) That the Audit Commission's Annual Audit and Inspection Letter 2008/09, and the positive key messages set out in the report in relation to the

assessment of the Council's arrangements to secure value for money in its use of resources, be noted and welcomed.

(2) That, in respect of the recommendations contained in the Annual Audit Inspection Letter, it be noted that:

- the risk of the ongoing economic downturn will remain on the Council's Corporate Risk Register and will therefore be monitored by both the Audit Committee and the Corporate Board; and
- the Director of Finance and the Cabinet Member for Finance and Resources had given the Audit Committee assurances that suitable resources would be made available for the implementation of International Financial Reporting Standards in 2010/11.

#### Annual Audit and Inspection Fee 2010/11

Mr Peter Smith of the Council's External Auditors submitted the Audit Commission's Annual Fee Letter, setting out the framework of the indicative fees for work to be undertaken at Swindon Borough Council in 2010/11.

Resolved – That the Audit Commission's Annual Fee Letter, setting out the framework of indicative fees for work to be undertaken at Swindon Borough Council in 2010/11, be accepted.

#### Compliance with International Auditing Standards

Mr Peter Smith of the Council's External Auditors introduced this item regarding the necessity for the External Auditors, in compliance with International Standard on Auditing (UK and RI) 2040, to obtain an understanding of how those charged with governance exercise oversight of management processes for identifying and reporting the risk of fraud and possible breaches of internal control within the Council. The report asked that the Chair should confirm:

- how the Audit Committee oversees management processes to identify and respond to such risks, and
- whether the Chair had knowledge of any actual suspected or alleged fraud affect the Council.

The Chair responded that the Audit Committee oversees management processes via regular reports to the Committee by the Head of Internal Audit, the regular Audit Reports the Committee chooses to verify, it considers the Corporate Risk Register on a number of occasions throughout the year and also, of course, receives the Audit Letter from the Council's External Auditors, the Audit Commission. He added that in addition, he regularly met with the Head of Internal Audit, preceding meetings of the Audit Committee. With reference to his having knowledge of any alleged fraud affecting the Council, the Chair said that he was not aware of anything material, and suggested that, in order to best comply with the Audit Commission's request, the Head of Internal Audit should keep him advised of any actual or alleged cases of fraud within the Council.

Resolved – (1) That the Chair's response the Audit Commission's request for confirmation of the Council's oversight of processes for identifying and reporting the risk of fraud and possible breaches of internal control (see above) be noted.

(2) That a presentation be made to the Committee in advance of a future meeting on the subject of changes to the International Financial Reporting Standards.

### External Audit Progress Report

Mr Peter Smith of the Audit Commission presented the May 2010 External Audit Progress Report summarising the External Auditor's delivery against the Audit Plan.

Resolved (1) That the External Audit Progress Report for the period to May 2010 be noted.

(2) That, with reference to Mr Smith's comments regarding the Audit Commission's completion of work on the Authority's use of resources, up to the stage of submitting indicative scores, and the decision that, following the abolition of the CAA, these would not be formally reported, the External Auditor be invited to report to the next meeting of the Committee, summarising the indicative scores that would have been submitted in relation to the Authority's use of resources and highlighting issues arising where remedial action might have been recommended.

### **10. Audit Committee: Effectiveness of the system of Internal Audit**

The Group Director, Business Transformation, submitted a report inviting the Committee to conduct a review of the effectiveness of the Council's system of Internal Audit in order to comply with the Accounts and Audit (Amendment) (England) Regulations 2006.

Resolved – (1) That the various areas of assurance and supporting evidence set out in the report, and the information contained in the Checklist provided in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, appended to the report, and the CIPFA Audit Committee Toolkit Self Assessment Checklist, also appended to the report, be accepted as providing assurance of the effectiveness of the Council's system of Internal Audit.

(2) That, with reference to the Committee's responsibility to approve the Council's Annual Accounts, a report on its adopted Accounting Policies be submitted to the Audit Committee for consideration and review in advance of work commencing on the preparation of the Annual Accounts.

### **11. Audit Committee - Revised Terms of Reference**

The Head of Internal Audit submitted a report advising members of the Committee's updated Terms of Reference and its draft Work Programme for 2010/11.

Resolved – That the revised Terms of Reference for the Audit Committee and its draft Work Programme for 2010/11 be approved.

### **12. Head of Internal Audit Update**

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit Reports finalised since the last Audit Committee meeting in April 2010 and progress made against the Annual Internal Audit Plan.

Resolved – That the report be noted.

**13. Internal Audit reports identifying significant risk or 'of concern':  
Corporate Manslaughter**

The Chair advised that the Director of Human Resources had been unable to attend this meeting and that, consequently, the Internal Audit Report on Corporate Manslaughter would be deferred to the next meeting.

**14. Internal Audit's Annual Report for the year 2009/10**

The Committee received a report on the Head of Internal Audit's Annual report for 2009/10, providing a summary of the work completed by Internal Audit Services in 2009/10 and his overall opinion of the Council's system of internal control.

Resolved – (1) That the report be presented to the next meeting of the Corporate Board and that the Board be advised of the Committee's concern that recommendations made by Internal Audit in respect of the significant control issues identified in financial systems categorised as "of concern" are failing to be addressed.

(2) That the report be also submitted to the Leader of the Council and the Cabinet Member for Finance and Resource and that they be also be advised of the Committee's concern that recommendations remained unactioned.

(3) That the Improvement Plans developed in relation to the financial systems categorised as "of concern" be submitted to future meetings and the officers responsible for the particular service areas be required to attend the meetings to report on progress against the plans.