

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Committee Room 2 - Town Hall
25 April 2012 (7.30 - 8.22 pm)**

Present:

COUNCILLORS:

Conservative Group	Georgina Galpin (in the Chair) Roger Ramsey, Frederick Thompson and Robby Misir (In place of Osman Dervish)
Residents' Group	Clarence Barrett
Labour Group	Denis Breading

Apologies were received for the absence of Councillor Dervish .

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

47 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 29 February were agreed as a correct record and signed by the Chairman.

48 JACOBS CONTRACT FOLLOW-UP

Officers advised the Committee that progress had been made in implementing the recommendations of the Internal Audit report. Back in 2009 the report had recommended the appointment of an Engagement Manager to carry out the monitoring of the contract. It had not proved possible to fill the post and the section is now being re-structures to include a small Business Support Team who would undertake this role.

With regard to the completion of the contracts the Committee were informed that both contracts commenced in June 2008 and they had been in an agreed form for three years. Unfortunately they had still not been signed. Officers advised that the Civil Engineering contract was with Jacob's for execution. Once this was complete the second contract for Architectural and Building Services would follow.

The final recommendation concerned governance and commissioning outside the contract. The Asset Management was responsible for monitoring capital expenditure. The audit report was recommending their remit be extended to include revenue. Following discussions with finance it had been agreed that this was not possible. A new protocol had now been agreed with Culture and Leisure.

The Committee noted the report and requested a report back once the contracts were signed off.

49 CLOSURE OF ACCOUNTS TIMETABLE 2011/12.

The Committee were advised that the Lead Officer had suffered an injury whilst on holiday and would not be returning to work until late May. He was now back in the United Kingdom and was working from home. As a result closedown was running one to two weeks behind schedule. However, there was a reasonable optimism that we could catch up. The Head of Finance and Procurement had taken a more proactive role during this period to drive matters forward.

There were regular meetings with the external auditors PricewaterhouseCoopers, and weekly meetings of officers to keep everyone focussed. Some lessons had been learnt and a few minor issues with the new Oracle system which had required a rethink.

The Committee asked what sanctions were likely if we failed to meet the deadline of 30 June. PWC advised that there was no formal sanction, the Audit Commission would name and shame and we may incur additional audit fees.

Officers informed the Committee that issues with the Schools finance system were being resolved.

The Committee noted the report and looked forward to a further update at the next meeting.

50 ORACLE AUDIT REPORT - FOLLOW-UP

As requested at the last meeting officers had submitted a report on progress with the follow up on the audit of the Oracle system. The Committee were advised that of the 24 Medium priority recommendations raised 19 had now been implemented. The assurance provided to management still remained at 'Limited' but by June 2012 could be 'Substantial' if the actions were completed as currently planned.

The Committee were provided with details of all actions taken and the work in progress to implement all the recommendations. Officers anticipated that all the recommendations should be fully implemented by 31 October 2012 at the latest.

The Committee noted the report.

51 **INTERNAL AUDIT PROGRESS REPORT**

The Committee were informed that in quarter 3 of 2011/12 5 system audits had been completed. Of these three had been given a 'Limited' assurance. Additionally, work had been completed on the systems and processes within the Internal Shared Service. It had not been possible to provide any assurance to management with regards to the key financial processes Payroll, Accounts Payable and Accounts Receivable. Control Working Groups had taken place in February and March to identify and recommend solutions regarding general control weaknesses and those specific to each system and the outputs were currently being considered by Management. An update would be provided in June.

The Committee expressed some concern regarding the outcome of the system audit of the Education Computer Centre. Officers were able to give an assurance that whilst some improvements were necessary Management had some awareness of the issues. A follow up audit was proposed for early in the New Year. A Trading Services Manager had been appointed to integrate the Centre with the rest of the Council's IT.

The system audit of Appointeeships and Deputyships had raised some concerns. The Committee specifically highlighted the use of the Allied Irish Bank to hold around £2.2m of funds. They were given an assurance that steps were being taken to relocate funds to banks which were on the Council's approved list. Steps needed to be taken that in future we follow our own procedures and protocol and any investments need to be in accordance with the Treasury Management Strategy. The Committee **agreed** that the Governance Committee should be recommended to amend the Financial Procedure Rules to cover this issue.

The Committee **requested** a further report to the next meeting on the steps being taken to meet the recommendations and that the Head of Adult Social Care attend to deliver the report.

During the quarter 7 school audits were completed, all of which had been given a 'Substantial' assurance.

The Committee **noted** the report.

52 **EXTERNAL AUDIT PLAN 2011/12 PENSION FUND AUDIT**

PricewaterhouseCoopers (PWC) had submitted their audit plan in respect of the audit of the Pension Fund accounts. The audit will include the risk of management overriding controls. PWC plan to respond to risk during the audit as follows:

- Discuss the risk of fraud with the Committee and management;

- Review Committee meeting minutes and understand any significant or unusual transactions to determine if they were appropriately accounted for;
- Review controls over approving payments from the Fund, testing a sample of payments;
- Consider accounting journals processed to identify any unusual or unexpected items and look for evidence of review and approval; and
- Include an element of unpredictability in the testing.

The Committee **noted** the report.

53 TRAINING REQUIREMENTS FOR AUDIT COMMITTEE.

Following recent changes to the constitution the Committee considered the requirements for training for the forthcoming year. Officers outlined the actions which were required to implement the changes and indicated that the appropriate training would likely be in the form of officer briefings (verbal or written), e-learning or training with external specialists.

The Committee **noted** the report and asked for more details on the opportunities for e-learning.

54 DRAFT AUDIT PLAN - UPDATE.

The Internal Audit and Corporate Risk Manager submitted the proposed audit plan for 2012/13 for approval. She advised the Committee that Deloitte & Touche would undertake the specialist IT audits. Following the recent reorganisation no significant savings were envisaged for the first two years but considerable savings were anticipated for year three and beyond.

The Committee

1. **approved** the draft plan as submitted, and
2. **noted** that any required changes to the Audit Plan during the financial year, as considered necessary by the Internal Audit and Risk Manager, would be reported for discussion within the progress report to the next meeting.

55 ANNUAL REPORT OF THE AUDIT COMMITTEE.

The Committee considered the draft Annual Report of the work of the Committee during the past 12 months. Key issues arising in the year included:

- Regular briefings on the objection to the Statement of Accounts by a resident and the subsequent enquiry by PwC;
- The Committee approved the Annual Governance Statement for the first time in June 2011;
- Private Sector Leasing former tenants arrears were highlighted as an issue, the Committee continues to be briefed on the matter until they were satisfied that they had received adequate assurances;

- The introduction of the requirement of compliance with the International Financial Reporting Standards meant significant changes to the annual accounts that the Committee was responsible for approving; and
- The Committee received updates from the relevant Head of Service regarding areas where audit assurances had not improved or recommendations not implemented in line with planned timescales.

The Committee approved the Audit Committee Annual Report for submission to Council.

56 **DEMISE OF THE AUDIT COMMISSION.**

The Head of Finance and Procurement provided a verbal update on the government's proposals for the demise of the Audit Commission. The government were continuing with their proposals. The Council had received a letter confirming that PwC had been appointed the Council's External Auditors for 5 years from September 2012.

PwC advised the Committee that following the demise of the Audit Commission fee levels were likely to reduce by up to 40%.

The Committee noted the report.

Chairman