

QUARTERLY REPORT FROM THE AUDIT COMMITTEE

Independent Chair: Mr M Bonner

Lead Members: Councillors J G Sunderland (Deputy Chair), P Connolly,
Mrs J I Hully, T Knowles, R Pitt, G Scurrah, D Wilson

Lead Officer: Julie Crellin, Head of Finance & MIS

This report is the second quarterly report for 2009/10 (for the period ended 30th September) summarising the work of the Audit Committee during this period, in response to a previous request from Council.

There have been two meetings of the Audit Committee in the second quarter of the new Committee year. These were held on 5th August and 23rd September. The Audit Committee has met five times since the beginning of the new Committee year. The meetings were also attended by a representative of the Audit Commission, the Council's External Auditor. Reports from the External Auditor were received at the meeting of the 23rd September.

Members of the Audit Committee participated in a Risk Awareness Training session to which OSC Management and Executive Members were also invited on the morning of 23rd September. The session was facilitated by the Council's insurers, Zurich Municipal. The purpose of the training session was to enable Members to gain an understanding of the process involved in preparing a strategic register, including the identification, prioritisation and strategies to manage or mitigate risks. The training session also provided the Audit Committee with the context to enable them better to execute their responsibilities in monitoring the adequacy of the Council's risk management arrangements. The Strategic Risk Register 2009/10 was presented to the Committee at the Committee meeting in the afternoon.

The main subjects considered at the two Audit Committee meetings were Audit Plan progress, the triennial review of internal audit by the Audit Commission, the Council's Strategic Risk Register and the Annual Governance Report 2008/09 from the Audit Commission. The Committee received the Auditor's (unqualified) opinion on the Accounts for 2008/09 and the qualified, ('except for') opinion in relation to securing value for money in its activities in 2008/09.

These are set out in more detail over the page.

1. Audit Services Quarterly Monitoring Report

The Audit Committee is charged with monitoring progress against the audit plan, with considering the main internal audit findings and with monitoring the implementation of key audit recommendations. Systems audited in the first quarter were largely found to be satisfactory and progress was being made in implementing outstanding audit recommendations. 86% of planned work had been completed, compared to a target of 90%.

2. Fraud Team's Quarterly Monitoring Report

The Audit Committee receives quarterly monitoring reports on anti-fraud activity. Targets were exceeded for both the number of investigations undertaken and the number of sanctions applied, where there was evidence of fraud. Sanctions include Administrative Penalties (fines), formal Cautions and Prosecutions. As a result of investigations in the quarter, Benefit overpayments of £40,000 had been identified and would be subsequently recovered. As at 1st July, the Fraud team had a caseload of 127 live investigations.

3. Triennial Review of Internal Audit

The Audit Commission undertake a detailed review of internal audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government, once every three years, to obtain assurance that their work is to a standard that they can rely on to inform their own work. They concluded that overall, for 2008/09, internal audit complied with the CIPFA Code of Practice. Compliance was compromised by both the Audit Manager being temporarily appointed as S.151 Officer and internal audit staff being required to undertake audit work which was not in the agreed audit plan. However, a number of mitigating actions were taken to ensure that, overall, the requirements of the Code were met.

4. The Audit Commission's Annual Governance Report 2008/09

The report informed Members that the Audit Commission planned to issue an unqualified opinion on the financial statements for 2008/09 and the qualified, ('except for') opinion in relation to securing value for money in its activities in 2008/09. The District Auditor outlined the report in some depth at the meeting. The report recognised that the Council's Finance team had worked hard to improve the overall quality of the financial statements for 2008/09. As a result, the 2008/09 draft financial statements did not include any material errors. This represented a significant achievement given the 2006/07 and 2007/08 financial statements were only signed at the end of March 2009. The Use of Resources Score for financial reporting was now at level 2, rather than level 1.

The Audit Committee considered the matters raised in the Governance Report, before the financial statements could be reauthorised for issue. An action plan was also agreed to implement further improvements in financial controls across the Council.

5. The Strategic Risk Register

The Head of Policy and Performance presented the revised Strategic Risk Register to the Committee. Members considered the risk management aspects, linked to the delivery of the Council's Corporate Plan, in line with the risk management training they had received earlier that day. The Audit Committee has specific responsibilities for monitoring the Council's risk management framework.

6. Risk and Return

This report summarised the Audit Commission's national report 'Risk and Return' written in response to the Icelandic Banking crisis in October 2008. The focus of this report was on Local Authorities' arrangements for placing and managing cash on deposit or in investments. The report concluded that many Authorities had acted prudently and balanced their risks. The key message of the report is that Authorities must ensure that their treasury management is properly resourced, managed and scrutinized. The Audit Committee considered the Council's treasury management arrangements, in the light of the Audit Commission report and noted that the majority of best practice arrangements were already in place.

7. Audit Services Charter

The Audit Committee approved a minor amendment to include safeguards to ensure independence if/when internal audit staff take on operational roles and a description of arrangements to be applied when audit resources are limited. This will ensure continued compliance with the CIPFA Code of Practice for Internal Audit.

8. Progress on a Shared Internal Audit Service

The Audit Committee on 23rd September considered a Part II report on early progress on the preparation of a business case for a shared Internal Audit Service involving Copeland Borough Council, Carlisle City Council, Allerdale Borough Council and Cumbria County Council. Members considered the underlying principles, benefits and risks of the proposal and lent their support to further development of the business case which will be considered by the Executive when complete.