

AUDIT SUB-COMMITTEE

23rd April 2008

PRESENT:-

Conservative Group

Councillor Timms (Chairman) and Councillor Atkin.

Labour Group

Councillor Lane (Vice-Chairman) and Councillor Shepherd.

Independent Member

Councillor Mrs. Brown.

AS/17. **MINUTES**

The Open Minutes of the Meetings held on 12th December 2007 and 27th February 2008 were taken as read, approved as true records and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/18. **ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

The Sub-Committee was reminded of regulations, which required a review of the effectiveness of the Council's Internal Audit system. This was required to satisfy the overall governance arrangements and would feed into the Annual Governance Statement for 2007/08. This was the second year that such a review had taken place. It was for each authority to decide what constituted Internal Audit and how it undertook its review. Government guidance suggested that the Audit Committee was the appropriate body to receive and consider the results of the review. A key point was that the review did not have to be carried out by the External Auditor, although they did review elements of Internal Audit's work. The Audit Commission's view was that this was not comprehensive enough to cover all elements and therefore a review had been undertaken by the Director of Corporate Services.

The report explained the basis of the review, which was not about processes or value for money. It was required to ensure that the opinion of the Audit Manager might be relied on as a key source of evidence for the system of internal control. It was about delivery of the internal service to the required standard and the extent to which Audit added value to the authority. In 2006/07, the review was based on a checklist contained in a CIPFA Code of Practice for Internal Audit. Details were provided of the checklist, the spirit of the regulations and guidance from CIPFA. It was considered that a three-year cycle comprising self-assessment, a 'light touch' review and then an independent external assessment was both sensible and practical.

For 2007/08, a lighter touch approach had been used. In particular this reviewed two key actions arising out of the self-assessment undertaken in 2006/07. The checklist was appended to the report and set out ten specific

characteristics, with corresponding evidence of how the internal audit function at the Council compared. There was a conclusion as to whether each characteristic was met and those areas to be developed.

Further sections of the report looked at meeting the actions from 2006/07, the Internal Audit strategy and feedback from service users. An overall opinion was provided that the Internal Audit function continued to provide an effective service. There was one issue that needed to be developed, relating to performance monitoring, which was detailed in the report. It was not felt that singularly this had had an adverse impact on the overall effectiveness of the service.

In order for the three-year review cycle to be maintained, it was proposed that an external review be undertaken during 2008/09.

The Chairman suggested that Members review the detailed appendix. A Member questioned whether the Sub-Committee should ask for evidence on each of the points included within the document. He asked where issues were identified, if it could be said the Audit Committee had challenged these matters robustly. The Chairman agreed with this point, but was conscious of Officers' roles and responsibilities. There was a legal duty for the Officers in question, as the Section 151 and Deputy 151 Officer. As part of the controls, there was a requirement to report to Members. An enhancement to future documents was suggested, to provide links to web pages, which would enable Members to cross-reference this review document. A Member was slightly concerned at having to take these matters on trust. The duties of the Section 151 Officer were explained by reference to particular sections of the report. To provide evidence of every issue contained within the review would result in significant documentation. Clarification was also provided on the roles of Members and those of Officers, who had the operational responsibility. Another Member would be satisfied if the Minutes recorded that Members had taken this review on the basis of trust, with the headline information provided.

A question was submitted about the development of audit briefs. It was noted that much of Internal Audit's work was systems based, with pre-determined scripts. Examples were provided of occasions where there was no such script and a decision was reached on the development of appropriate scripts.

With regard to the document generally, advice was provided from the Committee's Terms of Reference. The approach being undertaken was the same as last year and was considered best practice. It was confirmed that External Audit would look closely at the document, as part of the governance arrangements. The Officers' statutory responsibilities were again confirmed, together with the ability for Members to speak to the External Auditors, who would often be present at these Sub-Committee meetings. A Member questioned when details would be received of External Audit's Work Plan and this would be reported to the June Sub-Committee Meeting.

Reference was made to the Audit Assignment Satisfaction questionnaire and it was confirmed that the results of this survey were available. A summary could be provided to a future Meeting of the questionnaire results.

Further information was sought about the performance monitoring issue that needed to be developed. This was duly provided.

Under characteristic 5, reference was made to security. Officers explained the roles of Internal Audit, working both internally and with the Police, as a control issue. It was questioned whether this extended to IT security and details were provided of the current testing arrangements using the County Council and an external firm in a secure environment. The Member was concerned about firewall and password issues, given the sensitive information held on Council systems. Another Member referred to recent press coverage of such issues elsewhere. Officers assured that the Council's processes had already been reviewed and strengthened. They confirmed the role of Internal Audit and an offer was made to provide a further report to the Committee on this issue.

A Member commented that under the Use of Resources Assessment, the Council currently had achieved a Level 3 rating. He questioned whether the additional measures would lead to the audit aspects achieving a Level 4 rating. It was explained that this was only one aspect of the Use of Resources Assessment and would not lead to the increase on its own.

RESOLVED:-

- (1) That the report on the effectiveness of the Council's Internal Audit function is received.***
- (2) That, based on the evidence submitted in the report, Internal Audit continues to be effective.***
- (3) That the enhancements to the performance monitoring arrangements for the Internal Audit function are approved and reported to the Sub-Committee on a quarterly basis.***
- (4) That an external review of the Internal Audit function is undertaken during 2008/09 and the outcome is reported to this Sub-Committee.***

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 4.40 p.m.