OPEN

AUDIT SUB-COMMITTEE

8th April 2009

PRESENT:-

Conservative Group
Councillor Timms (Chairman), Councillor Atkin (Vice-Chairman) and Councillor Jones.

Labour Group
Councillor Shepherd.

APOLOGY

An apology for absence from the Meeting was received from Councillor Lane (Labour Group).

AS/17. **MINUTES**

The Open Minutes of the Meeting held on 25th February 2009 were taken as read, approved as a true record and signed by the Chairman.

Further to Minute No. AS/13, it was confirmed that the requested reports on the management of Section 106 Agreements and the potential need to review the Constitution, in view of the Comprehensive Area Assessment and the Local Area Agreement would be submitted to the June Meeting. It was also confirmed, under Minute No. AS/15 that the concerns on planning conditions enforcement had been referred to the next meeting of the Environmental and Development Services Committee.

MATTERS DELEGATED TO SUB-COMMITTEE

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

The Chairman welcomed Chris Dickens and Mundip Sohal of Pricewaterhouse Coopers to the Meeting. A presentation was provided by Mr. Dickens following the recent strategic review of Internal Audit, which covered:-

- Objectives of review
- Key stakeholders interviewed
- Measuring effectiveness of Internal Audit
- Key messages
- Key steps

With regard to measuring the effectiveness of Internal Audit, it was suggested that the Committee needed to consider what it wanted from its Internal Audit Team. The review process had identified a generally positive position, but on the area of coverage, there was some room for improvement. Highlights were provided on the section concerning the environment in which Internal Audit operated. The Council's internal audit team was very experienced and the benefits and other aspects, including future arrangements were discussed. It was highlighted that there was limited communication between Internal Audit and the Senior Management Team. In response to a Members' question, it was confirmed that the usual communication lines were with operational, rather than senior management and this could be a challenge area for the future, to provide a greater dialogue.

'Coverage' of Internal Audit was discussed and there were many positives. In the future, it was suggested that the Audit Team should move away from undertaking too many additional 'non-audit' duties. Further suggested challenges for the future were to move away from purely financial audit work and to avoid 'over auditing', which was demonstrated by comparison to the approach in the private sector. A question was submitted about the frequency of audit of core functions. These should be undertaken annually. It was suggested that a cyclical approach would be useful to undertake detailed review work on a three-yearly basis with annual 'walk throughs'. It was emphasised that there should be a transition from the current position to the suggested future position. Officers suggested that internal audit could have a liaison role on processes to check validity or efficiency and where issues were identified, these could for example, be referred to the Business Improvement Team.

There was discussion on potential arrangements in the future, through the use of IT systems, to reduce the amount of paperwork involved in the audit process. There was also discussion about some of the stakeholder comments around the sufficiency of audit hours, undertaking non-audit work and the impact last year of absence through ill health.

An issue highlighted on the quality of service delivery concerned the operational duties undertaken by the Audit Manager, where there was not presently a quality control check on his work. There was discussion on how this could be addressed. The establishment of performance indicators and the validity of the existing indicators were also discussed. Setting challenging targets for the Sub-Committee to monitor would be a useful future challenge.

Next, the Committee discussed the findings on the outcome of internal audit work. It was re-iterated that the review had been generally positive, but some areas for improvement in the future were highlighted. The next slide provided key messages from the stakeholder meetings. Particular issues discussed were consortia working, whether a non-financial focus to audit work could cause an overlap with that undertaken by Overview and Scrutiny and discussions about risk management and risk assurance.

Finally, the report included suggested next steps and further improvements. This was about planning the change of Internal Audit to meet future needs. There was discussion about the tracking of progress on audit

recommendations that weren't currently submitted to the Sub-Committee. It was recognised that the key issue was not challenging the Auditors, but the Officers who had failed to implement their recommendations. It was questioned whether there was a consolidated document of Internal Audit recommendations, which was not currently the case. The Sub-Committee discussed how it could receive information in the future. It was noted that this review process had been tight, which had meant it was not possible to circulate the review report prior to the meeting.

***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 from Pricewaterhouse Coopers, the Sub-Committee considers that Internal Audit is effective.

(3) That an Action Plan be formulated comprising the areas identified where potential improvement could be made and that this be submitted for further consideration at the Sub-Committee's meeting in June.

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 5.30 p.m.