



<u>Committee and Date</u>
Audit Committee
18 June 2010
10.00 am

<u>Item No</u>
<b>5</b>
Public

## MINUTES OF THE MEETING HELD ON 24 MARCH 2010

3.45pm – 4.55pm

**Responsible Officer** Michelle Evans  
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### Present

Messrs P Adams, C Mellings, M Whiteman, B B Williams (Chairman) and Michael Wood.

Mr B Gillow (Substitute), and Messrs G Patterson and E Bagnall of the Audit Commission, were also present.

### Chairman's Opening Remarks

The Chairman welcomed Members of the Committee, representatives from the Audit Commission and other Officers and Members to the meeting of the Audit Committee.

#### 1. Apologies for Absence

1.1 No apologies were received.

#### 2. Declarations of Interest

2.1 No declarations of interest were made.

#### 3. Minutes

3.1 **RESOLVED:** that the Minutes of the meeting held on 4 February 2010 be approved and signed by the Chairman as a correct record.

#### 4. Draft Internal Audit Plan 2010/11

4.1 The Committee received the report of the Head of Audit Services – copy attached to the signed Minutes – which provided Members with a detailed audit plan for 2010/11.

4.2 The Head of Audit Services confirmed that 2,909 days had been identified to provide coverage across all Directorates and external clients. She explained that this was the second year of a four year strategic plan covering the period 2009 to 2013. The audit needs assessment had been reviewed to ensure that it was still robust and relevant and able to reflect any changes.

- 4.3 The Head of Audit Services reported that the current plan did not include any days for the vacant Audit Manager post which would not be filled following the financial pressures on the Council. She then drew Members' attention to the key items to note for this year and Appendix A which gave a summary of the audit plan allocated over service areas. Any changes to the plan would be reported to a future Audit Committee meeting.
- 4.4 In response to a query the Head of Audit Services clarified that the draft audit plan 2010/11 sent to the Audit Commission would be detailed and provide a breakdown of how much time would be spent on each individual audit.
- 4.5 The Head of Audit Services confirmed that discussions took place with relevant Directors around particular issues and/or pressures on their services when calculating how long to spend on each audit and which areas to focus upon.
- 4.6 Concern was raised about the impact of having less days due to the vacant Audit Manager post which would not be filled. The Head of Audit Services explained that 200 days were included for each post; in losing this post she was considering the structure of the team to optimise its efficiency. She was happy that the proposed plan was fit for purpose in meeting the areas of high risk.
- 4.7 The Head of Audit Services informed the Committee that there would be a decrease in the number of low risk audits carried out over the four year period of the strategic plan as a result of the overall reduction in audit days and, that the team would consider the introduction of control self assessments where appropriate in ensuring that resources were targeted and maximised to audit areas at appropriate levels of risk.
- 4.8 In response to a query the Head of Audit Services confirmed that from an internal control point of view, all high and medium areas of risk and therefore responsibility had been covered in the draft plan.
- 4.9 **RESOLVED:** that the report be noted and that the Draft Internal Audit Plan 2010/11 be adopted.
- 5. Review of Audit Committee Annual Work Plan 2010/11**
- 5.1 The Committee received the draft work plan – copy attached to the signed Minutes – which covered the period up to 23 March 2011.
- 5.2 The District Auditor confirmed that if the Comprehensive Area Assessment came to the Audit Committee before 10 December 2010, it would need to be considered in private session.
- 5.3 **RESOLVED:** that the Audit Committee Work Plan 2010/11 be noted.
- 6. Internal Audit Risk Management Report 2009/10**
- 6.1 The Committee received the report of the Audit Manager – copy attached to the signed Minutes – which summarised the detailed findings identified in the Internal Audit review of Risk Management.

- 6.2 The Audit Manager explained that Audit Committee were required to review annually the adequacy of the Council's Risk Management arrangements. There were four levels of assurance as to the effectiveness of the system of internal control and on the basis of the work undertaken the overall control environment for the system of Risk Management had been assessed as good for 2009/10 which is the top of the four levels of assurance.
- 6.3 The Audit Manager drew Members' attention to the conclusion and summary of findings for each of the four control objectives against which the systems were assessed. He reported that continual improvements had been made over the past three years and of the three recommendations identified last year, one had been superseded, one was ongoing and one had been delayed due to the pressures of unitary.
- 6.4 The Audit Manager informed Members that three recommendations had been made this year, one of which had been rated as 'requires attention' and two as 'best practice'.
- 6.5 In response to a query it was confirmed that the Risk Management Strategy and Strategic Risk List had now been approved by Cabinet confirming that one recommendation had already been implemented.
- 6.6 The Audit Manager confirmed that they had the latest version of the MKInsight software which had been installed and was ready to be populated. A training update was required before staff could start to use the system. In response to a query the Head of Audit Services explained that the software would allow more efficient reporting.
- 6.7 In response to a query the Head of Audit Services explained that new systems were assessed to ensure value for money. The introduction of MK Insight for Internal Audit would provide better management information and improve the efficiency of some of the manual processes that it was to replace. However, during its introduction, common to all new systems, it may impact adversely on performance initially whilst staff are trained and the new system populated with audit work.
- 6.8 **RESOLVED:** that the findings from the review of Risk Management by Internal Audit be noted.

## 7. **Anti-Money Laundering Procedure**

- 7.1 The Committee received the report of the Audit Manager – copy attached to the signed Minutes – which set out revisions made to the Council's existing Anti-Money Laundering procedure and guidance.
- 7.2 The Audit Manager explained that the Proceeds of Crime Act 2002 dealt with the laundering of monies obtained from the proceeds of crime. The Money Laundering Regulations had been updated in 2007 and CIPFA had recently issued further guidance on anti-money laundering for public service organisations. The Council's own procedures had therefore been assessed and amended accordingly.
- 7.3 Although Local Authorities were not legally obliged to conform to all money laundering regulations, they had a duty to disclose any suspected money laundering activity to the Serious Organised Crime Agency, and it was

considered best practice to adopt anti-money laundering policies and reporting procedures which is reflected in the Use of Resources Judgment.

7.4 The Audit Manager explained that the main change had been to the due diligence test with the introduction of an identification procedure in order to ensure the bodies or persons dealing with the Council were legitimate. Awareness training would be rolled out to relevant staff.

7.5 In response to a query, the Audit Manager explained that the sum of money stated in the guidance, cash payment of which might suggest the possibility of money laundering, was slightly below the threshold set out in the regulations. However, staff still had a duty to report any sums of money which they felt were unusual or suspected were illegal.

7.6 In response to a query, the District Auditor explained that any payments outside the norm should trigger questions, however any policy should be proportionate to the risk. The Audit Commission would always encourage the Council to raise awareness of the issue with relevant staff. The Audit Manager explained that there was a potential for loss by fines imposed through non-compliance of the Act.

7.7 **RESOLVED:** that the report be noted and that the Anti-Money Laundering Procedure be approved.

## 8. **Audit Progress Report**

8.1 The Committee received the report of the Audit Commission Manager – copy attached to the signed Minutes – which provided a summary of progress made on the 2009/10 audit. It also provided information on the planning for the 2010/11 audit year.

8.2 The Audit Commission Manager drew Members' attention to the overview of progress on the 2009/10 audit. He explained that at this stage they had not come across anything to indicate that the audit fee would need to change. He confirmed that a fee letter for 2010/11 would be presented to the Audit Committee in June 2010.

8.3 Copies of the Code of Audit Practice 2010 and Statement of Responsibilities were circulated to Members and the District Auditor explained that he was required to bring the up to date Code to the attention of the Audit Committee.

8.4 In response to a query the District Auditor explained that an indicative score for Use of Resources would be given locally by the end of April however the 30 July 2010 was the submission date for national moderation. The Audit Commission would ensure that all scores were consistent with the national message. The Use of Resources would then be signed off by the Audit Commission and a final score given. The agreed judgement would come before Audit Committee in September.

8.5 In response to a query the Audit Commission Manager and District Auditor highlighted the types of issues that had been raised in regular meetings held with the Director of Resources, including; concern about an interface not working correctly, how recovery of overpayments were being sought, the budget process, matters going to Cabinet, potential risks, early feedback

before formal reports, the progress of audits and the general sharing of information.

8.6 In response to a query the District Auditor explained that due to the introduction of International Financial Reporting Standards, the Council would receive a 6% rebate in the scale fees already agreed.

8.7 **RESOLVED:** That the report be noted.

## 9. Review of Internal Audit

9.1 The Committee received the report of the Audit Commission Manager – copy attached to the signed Minutes – which gave details of the Triennial Review of Internal Audit.

9.2 The Audit Commission Manager confirmed that overall the Council had good arrangements in place and achieved compliance with the CIPFA Code of Internal Audit Practice in 99% of cases as highlighted in Appendix 1. The only minor exception being some minor non audit duties which was commonplace elsewhere and did not impinge in any way the work of Internal Audit.

9.3 **RESOLVED:** That the report be noted.

## 10. Date of Next Meeting

10.1 It was noted that the next meeting would take place at 10am on 18 June 2010.

## 11. Exclusion of the Press and Public

11.1 It was **RESOLVED** that under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda items 12 and 13 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the category specified against them.

## 12. Minutes (Exempted by category 1)

12.1 **RESOLVED:** that the Exempt Minutes of the meeting held on 4 February 2010 be approved and signed by the Chairman as a correct record.

## 13. Fraud Update (Exempted by category 1)

13.1 The Audit Manager gave a verbal update.

Signed.....(Chairman)

Date.....18 June 2010.....