

## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT COUNTY HALL, CHELMSFORD ON 17 MAY 2010**

### Membership

- |                          |                                    |
|--------------------------|------------------------------------|
| * W J C Dick             | Mrs I Pummell                      |
| * A M Hedley             | * T C Smith-Hughes (Vice-Chairman) |
| * M C M Lager (Chairman) |                                    |

(\* present)

The following officers were present in support throughout the meeting:

Cajetan Chukwulozie, Head of Internal Audit and Risk Management  
Hannah Cleary, Governance Officer  
Sue Fretwell, Risk Advisor, Internal Audit and Risk Management  
Colin Ismay, Governance Manager  
Tim Madden, Head of Corporate Finance

Louise Wishart, Audit Manager, Rob Murray, District Auditor and Natalie Thoms from the Audit Commission (External Auditors) were also present.

### **22. Apologies for Absence**

Apologies for absence were received from Councillor Mrs I Pummell.

### **23. Minutes**

The minutes of the meeting held on 16 March 2010 were approved as a correct record and signed by the Chairman.

### **24. Code of Audit Practice 2010 and Statement of Responsibilities**

Rob Murray, District Auditor, introduced the report and highlighted the changes that been made to the Code. He explained that updates occurred every five years with the current set of changes having been made to increase the alignment of the code with the relevant legislation.

### **25. 2009/10 Audit Opinion Plan and 2009/10 Essex County Pension Fund Audit Opinion Plan**

Louise Wishart, Audit Manager introduced the Audit Opinion Plan and explained that it set out the fee structure for the financial statements audit and additional risks that had been identified by the External Auditors. Natalie Thoms presented the Essex County Pension Fund Audit Opinion Plan.

#### Audit Opinion Plan 2009/10

Councillor Lager asked if the Council had received guidance from CIPFA in relation to the transition to International Financial Reporting Standards (IFRS). Louise explained that the new accounting treatment would have the most impact

on how school budgets are categorised, and was an issue affecting all Local Authorities. CIPFA are considering the issue in June, which would be too late for the Council to take into consideration any guidance subsequently issued for the sign off of the Statement of Accounts. Rob Murray added that the main effect for the Council was the potential extra work.

The Committee agreed to write to CIPFA and the LGA to seek clarification of the new IFRS accounting treatment.

Councillor Lager asked about the the outcome of the audit of EssexCares, which had been identified as an area of specific risk. Louise explained that the auditors for EssexCares, Grant Thornton, would provide their level of assurance shortly and release their full opinion in July. Tim Madden added that he would obtain more substantive information about this matter and report to the Committee at a future meeting.

Louise drew attention to the identified risk due to changes in council tax accounting treatment detailed on page 9 of the report. This financial year any council tax not collected at the year end will be accounted in the County Council's accounts rather than those of the District Councils. Therefore assurance will be required that the related figures are accurate, with specific consideration given to any District Councils with qualified accounts.

Councillor Smith-Hughes asked to clarify the date given on page 11 of the report pertaining to when the Audit Commission would be in receipt of the Council's accounts. Louise confirmed that this date should be 28 June 2010, and not 27 June as detailed in the report. The Audit Commission would audit the Council's accounts once they had been approved by the Audit Committee on 28 June.

#### Audit Opinion Plan-Essex County Pension Fund

The report was noted by the Committee.

## **26. Risk Management Governance**

Cajetan Chukwulozie, Head of Internal Audit and Risk Management introduced the report and highlighted the new governance structure for risk management which now contained a Cabinet Member panel.

Councillor Smith-Hughes asked if the responsibilities of the Audit Committee could be clarified within the new structure. Cajetan agreed to provide this information at a future meeting.

Cajetan explained that he was looking to upgrade the risk software to allow all service area risks to be contained in one place.

Councillor Lager added that he felt the new structure would mean a more corporate view and process of risk management.

**27. Variation in the Order of Business**

The Chairman proposed a variation in the order of business taking Item 8 – Inspection Fee Letters, as the next item of business, followed by Item 7 – Corporate Improvement Plan. The remaining items would be taken in order of the agenda. The proposal was agreed.

**28. Inspection Fee Letters**

The Committee considered the letters from the External Auditors, setting out the inspection fee structure for 2010/11.

Councillor Smith-Hughes asked why there were two separate letters. Rob Murray explained that one letter covered the inspections for the Comprehensive Area Assessment (CAA) and the other letter related to the risk-based audit work carried out by the External Auditors.

Councillor Lager referred to the work plan and highlighted the review due to be carried out on the Transformation Programme by the External Auditors. The Executive Scrutiny Committee is currently carrying out a scrutiny review into the Transformation Programme. It was agreed that a meeting between the Chairman and Vice-Chairmen of the Executive Scrutiny Committee and the External Auditors would be convened to enable both groups to discuss the scope of their reviews.

Councillor Smith-Hughes asked if the Post Office and Banking on Essex Initiatives were still on the Internal and External Auditors work plan. It was confirmed that these topics were still on the plan.

**29. Corporate Improvement Plan**

Jenny Thurkle, Strategic Planning and Performance Officer presented an exception performance report based on the contents of the Corporate Improvement Plan to the Committee. The report is written and submitted to the CLT on a quarterly basis.

The Committee asked if the report headings could be formatted in any colour other than red, amber or green and this was agreed.

The Committee asked how the report was signed off. Jenny explained that the first stage was to request evidence from service areas. Once received a meeting was subsequently arranged with the operational lead to enable the Performance Planning and Improvement Service to challenge and quality assure the report received. Following this the report was signed off by the relevant Executive Director.

The Committee expressed concerned that the sign off process did not contain adequate safeguards should there be differing opinions between the Performance Team and the relevant Executive Director. The Committee recommended that in order to improve the sign off process, Paul Abraham, Head of Performance, should counter sign any reports where there was a conflict of opinion.

The Committee also agreed that the report would be referred to the Executive Scrutiny Committee who already took an overview of the scorecard referrals to Policy and Scrutiny Committees; and would be considered each quarter.

### **30. Final Accounts Closure Action Plan**

Tim Madden, Head of Corporate Finance was in attendance to present the action plan.

Councillor Lager drew attention to the report attached to the action plan where it was stated that 'there was still a significant amount of work required to pull together the final statements within the required time lines.'

Tim agreed to keep the Chairman updated before the next meeting.

### **31. Forward Look**

The Committee noted report AC/15/10 subject to the following additions:

- Risk Management Strategy
- Compositions of future reports to the Audit Committee
- Use of Resources draft scores

### **32. Date and Time of Next Meeting**

The next scheduled meeting of the Committee is on Monday, 28 June 2010 at 10am in Committee Room 1.

### **33. Exclusion of the Public**

To consider whether the public (including the press) should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972).

#### **Resolved:**

That the public (including the press) be excluded from the meeting during consideration of the following item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972: (Paragraph 3 relating to the financial and business affairs of another party).

### **Part II (Business taken in Private)**

### **34. Risk Report**

The Committee considered report AC/16/10 by the Head of Internal Audit and Risk Management.

The Committee agreed that Steve Ede, Head of Procurement would be invited to the next meeting to provide further information around some of the items identified in the report.

**35. Business Continuity Report – IT**

The Committee considered the report by the External Auditors and heard from Mark Woollard, Performance Specialist who had conducted the review of business continuity for the External Auditors.

The Committee agreed that the relevant lead officers would be invited to the next meeting to discuss the content of the report.

Chairman  
28 June 2010