



Coventry City Council

Council Meeting

30 October 2007

Booklet 1

Recommendations

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SCRUTINY BOARD (1)
(FINANCE, PROCUREMENT AND VALUE FOR MONEY, COMMUNITY COHESION
AND EQUALITIES, CUSTOMER, WORKFORCE AND LEGAL SERVICES,
AUDIT ISSUES)

26th September, 2007

Scrutiny Board (1)

Members Present:-

Councillor Bains (Substitute for Councillor Townshend)
Councillor Charley
Councillor Crookes (Deputy Chair)
Councillor Kelsey
Councillor Skipper
Councillor Williams (Chair)

Other Members Present:- Councillor O'Neill (by invitation)

Employees Present:-

M. Coult (Chief Executives Directorate)
C. Evans (Finance and Legal Services Directorate)
R. Huges (Chief Executives Directorate)
S. Mangan (Finance and Legal Services Directorate)
D. Pearce (Customer and Workforce Services Directorate)
M. Salmon (Customer and Workforce Services Directorate)
C. Steele (Chief Executive's Directorate)

Apologies:-

Councillor Chater
Councillor Nellist
Councillor Townshend

27. Annual Report of the Audit Sub-Group as the Council's Audit Committee

The Board considered a report of the Head of Corporate Policy that reported on the work of the Audit Sub-Group as the Council's Audit Committee.

In September 2006 an Audit Sub Group was established, separate from Scrutiny Board 1, to allow more time to be devoted to audit issues. The terms of reference for the Sub Group required the group to carry out responsibilities appropriate to an audit committee, including those defined by CIPFA in its guidance titled "Audit Committees – Practical Guidance for Local Authorities". As part of its role, the Audit Sub Group was required to report annually to full Council on its work as an audit committee.

During 2006-07, the Council's Audit Committee had met on 5 occasions. The report set out details of the work carried out and the support provided to it during this period this include an extensive programme to assist in discharging the Audit Sub Group's responsibilities including: attendance at a conference organised by CIPFA on Audit Committees focusing on the need for audit committees, the experiences of External Auditors of audit committees and also other local authorities' approach to audit committees. An "Introduction to Risk Management Training" course was arranged by the Council's Risk Management and Insurance Service. Training and awareness sessions had been provided to the Sub Group including: a presentation on the work of the Housing Benefit Fraud Team; a demonstration of the Council's new risk management software – TENS; guidance on the role of external auditors / local authorities in the annual accounts process and the purpose of the Statement of Accounts and changes in 2006-07 to the

way in which the accounting information is shown.

During the year, Scrutiny Board 1 and the Audit Sub Group had received reports in respect of the Council's Internal Audit Service that included the Internal Audit Annual Report for 2005-06 and progress reports on the Council's Internal Audit activity. They received updates on the review of Internal Audit and on action taken to address significant control issues identified in the 2005-06 Statement on Internal Control. In April 2007 the Internal Audit Plan for 2007-08 was approved by the Sub Group. The Plan built upon the Internal Audit Strategy approved in April 2005 and continued to focus resources away from a traditional finance focus to a more risk based approach, with clear links with the Council's objectives as reflected in its Corporate Plan for 2006-07 to 2008-09.

Scrutiny Board 1 and the Audit Sub Group also received reports in respect of the Council's external Audit Service for 2006/2007 that included the External Auditors' Annual Governance Report on the Statement of Accounts 2005-06 the purpose of which was to report back to the Audit Committee amendments identified in the 2005-06 Statement of Accounts, following the completion of the annual audit by the Council's appointed auditors and to make recommendations for improvements arising from the audit process. A Joint Working Protocol was also received that outlined the roles of both internal and external audit, along with how they work together to ensure the Council receives an effective audit service. In April 2007 they received the Audit Commission's audit and inspection plans covering the financial years 2005-06 and 2006-07.

To enable the Sub Group to gain more understanding of the role of risk management in the Council's internal control, reports were also received on a review of the Council Corporate Risk Register and on an update on the Council's Risk Management Strategy: Progress on Implementation and Suggested Reporting Arrangements.

Work planned for the Audit Sub Group for 2007-08 included:

- **Measuring the Effectiveness of the Audit Committee** - based on guidance from CIPFA titled "Audit Committees – Practical Guidance for Local Authorities" which includes a self assessment checklist in order to measure the effectiveness of the Audit Committee, the Sub Group would undertake an assessment to further enhance its performance.
- **Training** - training/awareness would continue to be provided for new members of the Sub Group, as well as further training for existing members.
- **Terms of Reference** - The terms of reference of the Sub Group were revised in July to include the monitoring of the Council's revenue and capital programmes. The terms of reference would continue to be kept under review to ensure that they reflect best practice and also to ensure that the Sub Group received all appropriate information in order to discharge its responsibilities.

RESOLVED that the City Council be recommended to note the activity of the Audit Sub Group as the Council's Audit Committee during 2006-2007.



Coventry City Council

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Public report

Report to

Scrutiny Board 1
Council

26th September, 2007
30th October, 2007

Report of

Audit Sub Group

Title

Annual Report of the Audit Sub Group as the Council's Audit Committee – 2006/07

1 Purpose

In September 2006, Council approved a decision to establish an Audit Sub Group separate from Scrutiny Board 1 to allow more time to be devoted to audit issues. The terms of reference for the Audit Sub Group require the group to carry out responsibilities appropriate to an audit committee, including those defined by CIPFA in its guidance titled "Audit Committees – Practical Guidance for Local Authorities".

As part of its role, the Audit Sub Group is required to report annually to full Council on its work as an audit committee.

2 Recommendations

To note the activity of Audit Sub Group as the Council's Audit Committee during 2006-07 recorded in this report.

3 Activity of Audit Sub Group as the Council's Audit Committee

- 3.1 During 2006-07, the Council's audit committee has formally met on 5 occasions. In June and September 2006, Scrutiny Board 1 met as the Council's audit committee. Subsequently, the Audit Sub Group met 3 times in November 2006, January 2007 and April 2007.

The following paragraphs give details of the work done by the Sub Group and the support provided to it.

- 3.2.1 **Training** - To support the Audit Sub Group, an extensive training / awareness programme has been provided to assist members in discharging the Sub Group's responsibilities.

Prior to the first meeting of the Audit Sub Group in November 2006:

- All members (including named substitutes) were required to attend a one day conference organised by CIPFA at Warwick University on Audit Committees. This conference focused on 3 main areas:
 - The need for audit committees.
 - The experiences of External Auditors of audit committees.
 - Other local authorities' approach to audit committees.
- An "Introduction to Risk Management Training" course was arranged by the Council's Risk Management and Insurance Service.

Subsequent to this, the following training / awareness sessions have been provided to the Audit Sub Group:

- A presentation on the work of the Housing Benefit Fraud Team.
- A demonstration of the Council's new risk management software – TENS.
- Guidance on the role of external auditors / local authorities in the annual accounts process.
- The purpose of the Statement of Accounts and changes in 2006-07 to the way in which the accounting information is shown.

3.3 Internal Audit Activity

During the year, Scrutiny Board 1 / Audit Sub Group have received the following reports in respect of the Council's Internal Audit Service:

- In June 2006 - the Internal Audit Annual Report for 2005-06. This report had two main focuses:
 - To summarise the Council's Internal Audit Activity for the period April 2005 to March 2006 against the agreed Internal Audit Plan for 2005-06.
 - To provide Scrutiny Board 1 with the Internal Audit Managers opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2005-06.

Based on the work of Internal Audit in 2005-06, the Internal Audit Manager concluded that 'Reasonable assurance can be provided that there is a generally sound system of internal control designed to meet the organisation's objectives'.

Other reports received during the year included:

- Progress reports on the Council's Internal Audit activity. These reports were received in November 2006, January 2007 and April 2007. The reports provide:
 - A summary of the key findings from a sample of high profile audit work carried out in the quarter. This has enabled the Group to gain more understanding of how Internal Audit can contribute to the improvement of Council services.

- Assurance that management have implemented agreed audit recommendations on a timely basis.
- Updates on developments aimed at enhancing the quality of service provided to the Council.
- In November 2006 an update on the review of Internal Audit. This focused on two themes:
 - Providing the Audit Sub Group with assurance that all actions identified by the Audit Commission in their February 2006 review of Internal Audit had been implemented.
 - The requirement under the revised Accounts and Audit Regulations 2003 that the Council "at least once in a year, conduct a review of the effectiveness of the system of Internal audit".
- In January 2007 – an update on action taken to address significant control issues identified in the 2005-06 Statement on Internal Control.
- In April 2007 - the Internal Audit Plan for 2007-08, which was approved by the Sub Group. This builds upon the Internal Audit Strategy approved in April 2005 and continues to focus resources away from a traditional finance focus to a more risk based approach, with clear links with the Council's objectives as reflected in its Corporate Plan for 2006-07 to 2008-09.

3.4 External Audit Activity

The following reports were received in 2006-07:

- In September 2006 - the External Auditors' Annual Governance Report on the Statement of Accounts 2005-06. The purpose of this report was to report back to the audit committee amendments identified in the 2005-06 Statement of Accounts, following the completion of the annual audit by the Council's appointed auditors and to make recommendations for improvements arising from the audit process.
- In January 2007 - a Joint Working Protocol , outlining the roles of both internal and external audit, along with how they work together to ensure the Council receives an effective audit service.
- In April 2007 - the Audit Commission's audit and inspection plans covering the financial years 2005-06 and 2006-07.

3.3 Risk Management

The following reports were submitted to enable the Sub Group to gain more understanding of the role of risk management in the Council's internal control environment:-

- In January 2007 - a review of the Council Corporate Risk Register .
- In April 2007 - an update on the Council's Risk Management Strategy: Progress on Implementation and Suggested Reporting Arrangements.

4 **2007-08**

Work planned in 2007-08 includes

- **Measuring the Effectiveness of the Audit Committee** – CIPFA in its guidance titled "Audit Committees – Practical Guidance for Local Authorities" includes a self assessment checklist in order to measure the effectiveness of the Audit Committee. Given that the Sub Group is still relatively new, members are keen for an assessment to be undertaken to further enhance its performance.
- **Training** - Given that membership of the Audit Sub Group has recently changed, there will be a need for training / awareness to be provided for newmembers, as well as further training for existing members.
- **Terms of Reference** - The terms of reference of the Audit Sub Group were revised in July to include the monitoring of the Council's revenue and capital programmes. They will continue to be kept under review to ensure that they reflect best practice and ensure that it receives all appropriate information in order to discharge its responsibilities.