
Report to

Scrutiny Board 1 – Audit Sub Group
Scrutiny Board 1
Council

23rd July, 2008
24th September, 2008
28th October, 2008

Report of

Scrutiny Board 1 - Audit Sub Group

Title

2007-08 Annual Report of the Audit Sub Group as the Council's Audit Committee

1 Purpose of the Report

- 1.1 In September 2006, the 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 it to carry out responsibilities appropriate to an audit committee, including those defined by CIPFA in its guidance entitled "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

Scrutiny Board 1 – Audit Sub Group are asked to:

- 2.1 Endorse this report as a record of the Audit Sub Groups activity for 2007-08 prior to consideration by both Scrutiny Board 1 and Council

Scrutiny Board 1 / Council are asked to:

- 2.2 Note the activity of Audit Sub Group, as the Council's Audit Committee, during 2007-08 recorded in this report.

3 Information/Background

- 3.1 During 2007-08, the Council's Audit Sub Group has formally met on six occasions. In June 2007, a joint meeting was held of Scrutiny Board 1 and the Audit Sub Group to consider issues relating to the Council's Statement of Accounts. The Audit Sub-Group met separately directly after the joint meeting and has subsequently met in September 2007, November 2007, January 2008, February 2008 and March 2008. The following paragraphs give details of the work completed by the Audit Sub Group and the support provided to it.

3.2 **Audit Sub Group Development** – In 2006-07, considerable support was provided to the members of the Audit Sub Group in the form of training / awareness. In 2007-08, the membership of the Committee remained fairly stable and was supplemented with a new member with a background in accountancy. The focus of the Audit Sub Group in 2007-08 changed from increasing awareness to embedding the learning within its work plan. In comparison with 2006-07, the work plan of the Audit Sub Group expanded to include:

- Taking over the responsibility for monitoring the Council's financial performance from Scrutiny Board 1 through the receipt and scrutiny of the monitoring reports in respect of the Council's revenue, capital and treasury management (see paragraph 3.3 below).
- Monitoring and assessing the performance of the Council's Housing Benefit Fraud Team.
- Monitoring whether corporate risks were being identified and managed effectively. This was the first full year that the Group was responsible for this activity.

During the year, the Internal Audit Manager, as well as the External Auditors, have continued to provide support to the Audit Sub Group.

3.3 **Accountancy** - In addition to the Statement of Accounts 2006-07 (including revenue and capital financial out-turn) presented to the joint meeting of Scrutiny Board 1 and the Audit Sub Group in June 2007, quarterly progress reports in respect of the Council's financial performance against its revenue and capital budgets were reported to the Audit Sub Group in September 2007 and January and February 2008.

3.4 **Internal Audit Reports** - During the year, the Audit Sub Group has received the following reports in respect of the Council's Internal Audit Service:

- The Council's Statement on Internal Control - As part of the Annual Accounts process for 2006-07, Internal Audit co-ordinated the development of this Statement, which was reported to the Audit Sub Group in June 2007. It was informed through the following Internal Audit reports presented at the same time:
 - The Internal Audit Annual Report for 2006-07. This report had two main purposes:
 - To summarise the Council's Internal Audit activity for the period April 2006 to March 2007 against the agreed Internal Audit Plan for the same period.
 - To provide the Audit Sub Group with the Internal Audit Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2006-07. Based on the work of Internal Audit in 2006-07, the Internal Audit Manager concluded that 'moderate' assurance could be provided that there is a sound system of internal control designed to meet the organisation's objectives.
 - Review of the effectiveness of the system of Internal Audit – This stemmed from 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." The report considered the performance of the Service during 2006-07 and took into account the views of key stakeholders (i.e. External Audit / senior officers of the Council). An action plan was developed in response to areas for improvement identified, which was followed up by the Audit Sub Group in January 2008.

- Progress reports on the Council's Internal Audit activity for the financial year 2007-08 - These reports were received in September 2007, November 2007 and January 2008 and provided:
 - A summary of the key findings from a sample of high profile audit work carried out in the quarter. This enabled the Audit Sub Group to gain more understanding of how Internal Audit can contribute to the improvement of Council services.
 - A summary of the Internal Audit activity in respect of fraud and corruption.
 - Updates on developments aimed at enhancing the quality of service provided to the Council.
- Report on action taken by Council officers in respect of implementing agreed audit recommendations – This was submitted in January 2008, highlighting high levels of compliance in respect of implementing actions.
- Reports on the following plans were considered and approved in March 2008:
 - The Internal Audit Plan for 2008-09 - This builds upon the Internal Audit Strategy approved in April 2005 and continues to focus resources on significant risks facing the Council, with clear links with the Council's objectives as reflected in its Corporate Plan for 2007-08 to 2009-10.
 - The Corporate Fraud Plan 2008-09 – In view of the high priority given to this area, a separate fraud plan has been developed for the first time, to be implemented in 2008-09. This plan is closely linked with the Council's Strategy and Policy in respect of Fraud and Corruption. Progress against this plan will be reported twice a year to the Audit Sub Group in 2008-09.

3.5 **External Audit Reports** - Various external audit reports were received by the Audit Sub Group in 2007-08. In addition to the standard reports (e.g. Audit and Inspection Plan 2008-09, Progress Report and Opinion Plan), the following specific reviews have been completed in 2007-08:

- ICT Healthcheck – September 2007.
- Sickness Absence – November 2007.
- Network Security – March 2008.

Other reports considered during 2007-08 include:

- Annual Audit and Inspection Letter and Audit of the Best Value Performance Plan 2006-07 (June 2007). The main focus of this report was to:
 - Summarise External Audit activity during 2006-07 and to confirm the announcement made in February 2007 that the Council is improving well and has been awarded three stars under the Comprehensive Performance Assessment system.
 - Confirm the accuracy of the data presented in the Best Value Performance Plan.

- External Auditors' Annual Governance Report on the Statement of Accounts 2006-07 (September 2007) The purpose of this report was to report back to the Audit Sub Group amendments identified in the 2006-07 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.

3.6 **Other Reports** - Other reports received during 2007-08 included:

- **Housing Benefit Fraud** – In order to get a full understanding of all the fraud work undertaken in the Council, the Audit Sub Group received a report in November 2007 on the work of the Housing Benefit Fraud Team. More regular reports are planned in 2008-09.
- **Updates on the Council's Corporate Risk Registers** were received in June 2007, November 2007 and March 2008 to allow the Audit Sub Group to assess whether corporate risks are being adequately identified and managed.

3.7 **2008-09 Work Plan** - In addition to the standard audit work, specific attention will be given to the following in 2008-09:

- **Measuring the Effectiveness of the Audit Committee** – During 2007-08, the Audit Sub Group assessed itself against CIPFA guidance entitled "Audit Committees – Practical Guidance for Local Authorities". This identified a number of areas for improvement and work is ongoing to enhance arrangements in light of the issues highlighted.
- **Training** - Given that membership of the Audit Sub Group has recently changed with three new members, there will be a need for training / awareness to be provided for these members, as well as further training for existing members.

4 Proposal and Other Option(s) to be Considered

Scrutiny Board 1 – Audit Sub Group are asked to:

- 4.1 Endorse this report as a record of the Audit Sub Groups activity for 2007-08 prior to consideration by both Scrutiny Board 1 and Council

Scrutiny Board 1 / Council are asked to:

- 4.2 Note the activity of Audit Sub Group, as the Council's Audit Committee, during 2007-08 recorded in this report.

5 Other specific implications

5.1

	Implications (see below)	No implications
Value for Money	✓	
Children & young people		✓
Comparable benchmark data		✓
Corporate parenting		✓

	Implications (see below)	No implications
Coventry Community Plan		✓
Crime and disorder		✓
Equal opportunities		✓
Finance	✓	
Health and safety		✓
Human resources		✓
Human Rights Act		✓
Impact on partner organisations		✓
Information and communications technology		✓
Legal		✓
Property		✓
Neighbourhood Management		
Race equality scheme		✓
Risk management	✓	
Climate Change & Sustainable Development		✓
Trade union consultation		✓
Voluntary sector – the Coventry Compact		✓

5.2 **Value for Money, finance and risk management**

The Audit Sub Group work plan has clear and direct effects in all three areas. Since these vary widely, it is not useful to attempt to summarise them here, beyond noting the outputs from the work plan are designed to help managers improve either:

- value-for-money obtained;
- probity and propriety of financial administration; or
- management of operational risks.

6 Monitoring

- 6.1 For monitoring purposes, this report is produced on an annual basis in line with the terms of reference of the Audit Sub Group.

7 Timescale and expected outcomes

- 7.1 This report is produced on an annual basis in line with the terms of reference of the Audit Sub Group.

	Yes	No
Key Decision		√
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	√ Scrutiny Board 1 24 September 2008	
Council Consideration (if yes, date of Council meeting)	√ 28 October 2008	

List of background papers

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Papers open to public inspection

Description of paper

Location

None