

## **REPORT OF AUDIT COMMITTEE**

### **GENERAL REPORT**

1. This report gives a brief summary of the items discussed at the meeting of the Audit Committee held on 27 March 2006.

#### **Use of resources audit score feedback**

2. The Audit Commission submitted a report on the annual use of resources assessment which evaluates how well Council's manage and use their financial resources.
3. The assessment focuses on the importance of having sound and strategic financial management to ensure the resources are available to support the Council's priorities and improve services covering five themes:
  - Financial Reporting
  - Financial Management
  - Financial Standing
  - Internal Control
  - Value for Money
4. For the year 2005/2006 the Authority's overall score for use of resources was a 3 which indicates that the Council is performing well on its use of resources.

#### **Interim Audit Report**

5. We received an interim report from the Audit Commission on the work undertaken as part of the Audit and Inspection Plan for 2004/05. The work had been carried out to meet the Code of Audit Practice responsibilities, which included a review of financial core processes and aspects of corporate governance and findings from their review of Internal Audit carried out as part of the 2005/06 audit.
6. Their approach concentrated on three main aspects of Accounts, Financial aspects of corporate governance and Internal Audit and no significant issues arose from the three interim audit review areas. There were some processes identified that could be done better, but no major concerns.

#### **Opinion Memorandum**

7. The audit Commission submitted an Opinion Memorandum summarising the matters arising from the audit of the Council's accounts for the year ended 31 March 2005.

8. They gave the authority an unqualified opinion, this is good news and some of the recommendations to improve have already been implemented.

### **Performance Management**

9. The Audit Commission submitted a report of their findings relating to Performance Management within the Authority.
10. In 2004, the Authority's comprehensive performance assessment (CPA) found that on balance, performance management weaknesses outweighed strengths. Over the past 12 months the Authority has demonstrated a positive response to CPA. The performance issues identified as needing further development have been incorporated into the corporate improvement plan (CIP) and action is now being taken to address them.
11. A number of recommendations have been made for the Authority to consider. The new corporate strategy has six strategic objectives, five of which mirror the community strategy priorities. In moving to a new corporate strategy, the Council will address in some part the recommendations. The Council's sixth strategic objective is to ensure it is a performing organisation, and a key project for 2006/07 will be to embed effective performance and risk management.

### **Best Value Performance Plan**

12. The Audit Commission submitted a report on the Audit and Inspection Plan outlining the work that they propose to undertake in 2005/06. The new Code of Audit Practice provides a clearer focus of audit effort on overall financial and performance management arrangements.
13. Improvements in the quality assurance framework would allow the Audit Commission to reduce its future level of testing and related fee by placing greater reliance on the Council's own arrangements.

### **Internal Audit Plan 2006/07**

14. The Director of Finance submitted a report on the Annual Internal Audit Plan for 2006/07 and the priority areas to be reviewed during the new financial year.
15. The Audit Plan is structured into five sections:
  - Corporate Governance
  - Risk Management

- Business Critical Systems
- Financial Management
- Contingency

16. It is required to ensure that the Council has in place an adequate and effective internal audit of its system of governance, risk management and internal control in accordance with best practice and professional standards.

### **Role and Membership of the Audit Committee**

17. The Director of Finance submitted a report on proposals to address the recommendations made by the Audit Commission in the Use of Resources Assessment, regarding the Audit Committee's remit and relationship with the new CIPFA model Terms of Reference for Audit Committees.
18. The new CIPFA Guidance stresses that the Committee now has a key role to play in monitoring the organisation's overall governance arrangements, including risk management and performance and holding the Executive to account on these matters.
19. The Audit Commission have recommended the Council to "extend the Audit Committee's terms of reference to more clearly specify its risk and governance remit, and to support this with more awareness training".
20. The Commission also recommended that the Audit Committee should be "independent of both Executive and Scrutiny functions".

### **Recommendation**

21. The Council is recommended to note this report.

COUNCILLOR LENNOX  
Chair of Audit Committee

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