

## CANTERBURY CITY COUNCIL

### AUDIT COMMITTEE

**Minutes of a meeting held on Monday, 21st June, 2010  
at 7.00 pm in The Guildhall, Westgate, Canterbury**

**Present:** Mrs J Jerram (Chairman)

Councillor Cragg  
Councillor Parsons  
Councillor J Perkins  
Councillor Samper  
Councillor Vye

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**Officers:** Ian Cooke - Head of Finance  
Jim McDonald - Director of Finance  
Christopher Parker -  
Andy Rush - Risk Management Officer

#### 89 ELECTION OF CHAIRMAN

It was noted that the Independent Member of the Audit Committee would be Chairman for the Council year 2010/11.

At this point the Independent Chairman, Janet Jerram announced that she would shortly be resigning as the Independent member and that this would be her last meeting. The Committee formally thanked her for the work she had undertaken as Chairman of the Committee for the last 4 years.

The Director of Finance reported that steps would now be taken to advertise for a new Independent member and that applicants would need to meet certain criteria. If none of the applicants met the criteria then it would be upto the Council to consider whether it wished to continue with an Independent member.

#### 90 ELECTION OF VICE-CHAIRMAN

RESOLVED – That Councillor Samper be Vice-Chairman of the Committee for the Council Year 2010/11.

#### 91 MEMBERS' INTEREST

Councillor Cragg reported that if any debate took place in connection with the Beaney Institute Redevelopment Project which was included in the Strategic Risk Register he would declare a prejudicial interest and leave the meeting during the debate.

#### 92 PUBLIC PARTICIPATION AT MEETINGS

No representations had been received.

93 **MINUTES**

The Chairman signed as a true record the minutes of the meeting of the Committee held on 22 March 2010.

94 **MATTERS ARISING**

- (a) It was noted that the Head of Community Development and Outdoor Leisure would be presenting a report on the Horsebridge Arts and Community Centre to the next meeting of the Committee in September.
- (b) It was noted that the Head of Culture and Enterprise would be presenting a report on the Canterbury Football Hub to the next meeting of the Committee in September.
- (c) The Risk Management Officer reported that at the last meeting of the Committee a question was raised about recent investigations of insurance companies for loss of personal data and whether these cases had any relevance to the Council. He gave details of two recent cases which had been investigated by the Information Commissioner which resulted in both companies having to give a signed undertaking to the Information Commissioner that their record management processes would be improved.

He added that although the Council recently had a theft of a laptop from within the council offices there were no data loss implications. The Committee were advised that the Council had in place a comprehensive Information policy although the difficulty was to guard against complacency and ensure that staff followed the policy at all times.

95 **AUDIT OPINION PLAN 2009/10**

Deborah Moorhouse, Audit Manager, presented the Audit Opinion Plan 2009/10 which set out the audit work that the Audit Commission proposed to undertake for the audit of financial statements 2009/10. The plan was based on the Audit Commission's risk based approach to audit planning and reflected:

- audit work specified by the Audit Commission for 2009/10;
- current national risks relevant to the city council's local circumstances; and
- local risks for the city council.

The Audit Manager advised the committee that whilst she had not identified any new risks, there was a continued risk with regard to the recovery of investments held in Icelandic banks and their valuation in the council's accounts. The Audit Commission would continue to monitor the position and discuss the valuation of the investments with city council finance staff.

RESOLVED – That the Audit Opinion Plan 2009/10 be received.

96 **AUDIT AND INSPECTION PLAN LETTER 2010/11**

Deborah Moorhouse, Audit Manager, submitted details of the audit and inspection work that the Audit Commission proposed to undertake for the council during the financial year 2010/11. The letter indicated that the total indicative fee for inspection would be £127,000, which compared with the updated fee of £120,000 for 2009/10. However, the new audit fee did not include a rebate that the city council would receive in respect of International Financial Reporting Standards (IFRS), which totalled approximately £8,745. The Audit Commission had set their fees within the context of their published work programme and scales of fees 2010/11.

The Audit Manager reminded the committee that the Comprehensive Area Assessment framework was to be abolished by the new government.

One Member noted that within the report, the Audit Commission would monitor the council's progress in managing the associated risks with regard to the provision of various shared services and whether a report would come back to the committee in June 2011. The Audit Manager advised that the report could be submitted earlier than that, but that an update report would be made at the next meeting of the committee.

RESOLVED – That the annual audit fee for 2010/11 be received.

97 **CANTERBURY CITY COUNCIL FINANCIAL STATEMENT - COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING - LETTER TO CHAIRMAN**

Deborah Moorhouse, Audit Manager, circulated a copy of a letter addressed to the Chairman of the council's Audit Committee, that sought her assistance with the Audit Commission's current work on the council's financial statement for 2009/10. The letter stated that in order to comply with a number of international auditing standards, the Audit Commission were required to obtain an understanding of how those charged with governance exercised oversight of management processes for identifying and reporting the risk of fraud and possible breaches of internal control in the council. The letter asked for a brief response by the Chairman by 30 June 2010. The Chairman indicated that she would send an appropriate response.

RESOLVED – That the report be noted.

98 **MEMBERS' APPROVAL OF THE STATEMENT OF ACCOUNTS 2009/10**

The Head of Finance reminded the committee that although the General Purposes Committee was the committee charged with approving the statement of accounts for 2009/10, the report was being presented to the Audit Committee in order that they could make recommendations to the General Purposes Committee on it. He reported that the statement was in a prescribed format and that the Audit Commission would have to report back their findings on the statement of accounts both to the General Purposes Committee and the Audit Committee in September 2010.

To assist the committee, the Head of Finance had prepared a summary and brief explanation of the statement of accounts 2009/10, together with the key facts from the statement of accounts. In addition, he took the committee through the changes that had been made to the 2009/10 statement since last year.

Finally, the Head of Finance advised that the Audit Commission wanted to make some changes to page 23 of the statement of accounts (pension costs) so as to include a disclosure from the actuary explaining how the council's share of the

pension fund had been valued. He advised that he would circulate a revised page 23 to the meeting of the General Purposes Committee on 28 June 2010. In considering the report, Members raised one or two points relating to the statement of accounts, with particular reference to the pensions deficit and its effect on the Council's net worth, the overspend on the housing revenue account, the contribution to the benefits reserve, the level of capital spend and the revenue effect of borrowing in future years and these points were answered by the Head of Finance.

RESOLVED – That the General Purposes Committee be asked to recommend approval of the statement of accounts 2009/10.

**99 TREASURY MANAGEMENT REPORT - FINAL QUARTER 2009/10**

The Director of Finance presented a report which detailed the results of the council's treasury management activities in the fourth quarter of the financial year ended 31 March 2010.

He reported that investment rates available in the market were at an historical low point, having declined even further from the last quarter's very low rates. The average level of funds available for investment purposes in the fourth quarter of 2009/10 was £23.42 million. However, the council's performance on investments had outperformed the benchmark by 58 basis points. He further reported that the prudential indicators had not been breached during the fourth quarter of 2009/10 and that the city council had not carried out a debt rescheduling.

RESOLVED – That the report be noted.

**100 REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS 2009/10**

The Director of Finance submitted a report which presented the findings of the review of the effectiveness of the council's internal audit arrangements for 2009/10, as required by the Accounts and Audit (Amendment) (England) Regulations 2006.

He reminded the committee that it should be noted that the review was primarily about effectiveness, not process. In essence, the need for the review was to ensure that the opinion in the annual report of the internal auditors may be relied upon as a key source of evidence for the annual governance statement. He stated that the internal audit function was performed by the East Kent Audit Partnership (EKAP), which provided internal audit services to the councils of Dover, Shepway and Thanet, as well as Canterbury. As a result of this collaborative approach, the partnership was able to be robustly resourced and provide a mechanism for promulgating best practice to the east Kent authorities that used its services.

RECOMMENDED – That the Audit Committee accept the findings of the review of the effectiveness of the council's internal audit arrangements for 2009/10.

**101 UPDATE REPORT ON RISK MANAGEMENT/CORPORATE GOVERNANCE**

The committee considered a report from the Director of Finance which provided an update on the key risks facing the council. The report included the latest version of the risk register which showed how risks were being managed and ranked to highlight the major risks. The Risk Management Officer advised that whilst no new risks had been added, one risk had been reduced. Furthermore, all risks had been reviewed and updated as part of the annual corporate governance risk audit.

In considering the report, the committee raised a number of issues relating to items on the risk register, including the following:

- New Marlowe Theatre – who will finance shortfall if fundraising target not achieved? Would there be a cap on the future subsidy for the theatre? Need for more regular update reports to be made to Members on this project.

Director of Finance advised that the city council would have to borrow or defer other schemes if fundraising target not achieved. With regard to the subsidy, this would be a matter for Members to decide, bearing in mind the financial performance of the theatre.

- Food safety inspections – concern expressed by some Members that whilst this risk was listed in the register as medium/low, it appeared that there was a growing backlog of inspections. Whilst a new Environmental Health Officer post had been created and filled from 17 August 2009, there was some uncertainty as to whether the person appointed had left the post. Some Members were concerned that the backlog in inspections should be completed by a certain time, and that date should be inserted into the risk register. Another Member asked how many food outlets there were in the city and what was the turnover of catering businesses.

RESOLVED –

(a) That the report be noted

(b) That the Risk Management Officer arrange for the text in the next risk register report in respect of the food safety inspections to be expanded, taking into account the comments raised by Members.

(c) That the Committee receive a short report from the project team on the new Marlowe Theatre project at the next meeting of the Committee

## 102 **ANNUAL GOVERNANCE STATEMENT TO 2009/10 ACCOUNTS**

The Risk Management Officer reported that there was a legal requirement for the council to include an annual governance statement within its statutory accounts. He therefore submitted the relevant statement which reviewed the council's corporate governance and risk management processes and identified any significant governance issues. He also advised the committee that the statement had been prepared following CIPFA/SOLACE guidance. The statement would need to be signed by the Leader of the Council and the Chief Executive.

RECOMMENDED – That the annual governance statement to the 2009/10 accounts, as now submitted, be approved for inclusion in the statutory accounts.

## 103 **EAST KENT AUDIT PARTNERSHIP ANNUAL REPORT FOR THE YEAR 2009/10**

Christine Parker, East Kent Audit Partnership, presented the annual report which summarised the performance of the East Kent Audit Partnership and the work it had performed over the financial year 2009/10 for Canterbury City Council. The report also provided an overall assurance on the system for internal control, based on the audit work undertaken throughout the year in accordance with best practice. The committee were advised that the audit plan for 2009/10 had been delivered with 6.94

additional days carried over as work in progress at the year end. The performance figures for the East Kent Audit Partnership as a whole for the year showed impressive performance against target and indeed the East Kent Audit Partnership had once again delivered financial savings against its agreed budget to all its partners in the delivery of the service.

In taking the committee through the key issues included in the annual report, Christine Parker reported that the East Kent Audit Partnership had achieved all of their targets for the city council, which had resulted in a saving to the city council of £4,085.

RESOLVED – That the report be noted.

**104 EAST KENT AUDIT PARTNERSHIP UPDATE REPORT FOR THE PERIOD MARCH 2010 TO MAY 2010**

The committee considered the progress that had been made against the audit plan which had been approved by them in March 2009. Christopher Parker, East Kent Audit Partnership, advised that six internal audit reviews had been completed for the period March 2010 to May 2010. The reviews had been allocated assurance levels of substantial to limited. In addition, there had been four follow-up reviews completed during the period which concluded that many of the agreed recommendations had been implemented and the remainder were currently pending implementation. The only exception to this was the follow-up review of mobile phones. This was originally limited assurance and it had been found that no significant improvement had been made. In the circumstances the assurance level could not be raised and further improvements had been recommended.

The committee were advised that any discussion on these individual audits would need to be discussed later in the agenda, with the press and public excluded.

**105 ROLE OF THE AUDIT COMMITTEE - FUTURE WORK**

The committee gave consideration as to what further reports were required from Heads of Service/service managers.

Reports to the next meeting of the committee in September 2010 should include:

- The Horsebridge Arts and Community Centre
- Canterbury Football Hub
- Short report from the project team on the new Marlowe Theatre
- Use of Investigatory Powers Act – report from the Head of Legal and Democratic Services

**106 EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it is likely that if members of the public were present during that item, there would be disclosure to them of information which falls within the exceptions under Schedule 12(A) to the Local Government Act 1972 or the Freedom of Information Act 2000 or both.

107 **EAST KENT AUDIT UPDATE REPORT FOR THE PERIOD MARCH 2010 TO MAY 2010 - CONFIDENTIAL**

Arising from the discussion at Minute No 108 above, the committee considered the confidential report which provided Members with an update of the work undertaken by the East Kent Audit Partnership during the period March 2010 to May 2010.

Christopher Parker, East Kent Audit Partnership, took the committee through the recommendations for the internal audit reports on procurement, CCTV and security and reported that follow-up reviews were still being undertaken in respect of hackney carriage and private hire income, mobile phones and sundry debtors. With regard to the follow-up review for sundry debtors, Christopher Parker advised that 10 main recommendations had arisen from the report and that these were being pursued by officers. He hoped that these should be completed by August/September 2010. An update report on this follow-up review would be reported to that meeting.

A Member raised a question as to whether an update report would be made to the next meeting of the committee in September, following the internal audit report on CCTV. Christopher Parker advised that a follow-up report for September might be too early allowing sufficient time for management to take action and providing any meaningful testing of any control improvements they had introduced. Members were assured that the follow up review would therefore feature at a future meeting of the Committee.

There being no other business the meeting closed at 9.12 pm