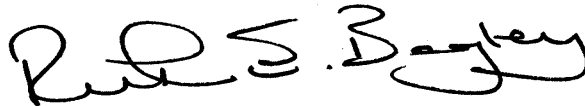


Date of issue: 19<sup>th</sup> March 2012

<b>MEETING</b>	<b>AUDIT COMMITTEE</b> (Mr Kwatra (Chair), Councillors Carter, Chohan, Haines, Small and Smith)
<b>DATE AND TIME:</b>	TUESDAY, 27TH MARCH, 2012 AT 6.30 PM
<b>VENUE:</b>	SAPPHIRE SUITE 5, THE CENTRE, FARNHAM ROAD, SLOUGH, SL1 4UT
<b>DEMOCRATIC SERVICES OFFICER: (for all enquiries)</b>	SIMON FULLWOOD 01753 875015

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.



**RUTH BAGLEY**  
Chief Executive

AGENDA

PART 1

<u>AGENDA</u> <u>ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
	Apologies for absence.		
1.	Declarations of Interest		

<u>AGENDA ITEM</u>	<u>REPORT TITLE</u>	<u>PAGE</u>	<u>WARD</u>
2.	Minutes of the last meeting held on 7th February, 2012	1 - 4	
3.	Proposed changes to Terms of Reference	5 - 14	All
4.	Recommendations arising from 2010/11 certification work	15 - 16	All
5.	Draft Internal Audit Plan 2012/13	REPORT TO FOLLOW	All
6.	Date of the next meeting		

Press and Public

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Special facilities may be made available for disabled or non-English speaking persons. Please contact the Democratic Services Officer shown above for further details.

**Audit Committee – Meeting held on Tuesday, 7th February, 2012.**

**Present:-** Mr Kwatra (Chair), Councillors Small and Smith.

**Apologies for Absence:-** Councillors Carter, Chohan and Haines

**PART 1**

**34. Declarations of Interest**

No declarations of interest were received.

**35. Minutes of the last meeting held on 10th November, 2011**

**Resolved:-** The minutes of the meeting held on 10<sup>th</sup> November 2011 were approved as a correct record.

**36. Internal Audit Plan - Third Quarter 2011/2012 Progress (Deloitte)**

The Committee received a report on the Internal Audit Third Quarter 2011/12 Progress. The report summarised the Internal Audit activity covering that period. Members were informed that eleven (34%) Internal Audit reports had been issued as final reports and eighteen (56%) reports were in draft format and awaiting finalisation. The audit fieldwork had been completed for the remaining three audits. Also, 70% of audits had been deferred to Quarter 4.

In the ensuing discussion, the Chair queried the wording of the management responses to the recommendations in the Summary of Finalised Reports. It was noted that in cases this was ambiguous and future reports would be amended. A Member requested further information about the recommendation that Slough Enterprise undertake an exercise to obtain and provide benchmarking statistics against other authorities. It was agreed that this information would be circulated to Members. The Committee was also updated on the Asset Inventory. It was confirmed by officers that the Authority had the financial records to support inventory, though IT assets were not as easy to record and this was an area which would be investigated further

The Committee placed on record its thanks to the outgoing Internal Auditors, Deloitte, for their services to the Authority.

**Resolved:-** That the Internal Audit Third Quarter 2011/12 Progress report be noted.

**37. Presentation - Follow up on recommendations in the Annual Governance Statement 2011/12**

The Committee received a presentation from the Strategic Director of Resources on the progress made on the recommendations in the Annual Governance Statement 2011/12 and the response to risks raised by the Audit

**Audit Committee - 07.02.12**

Commission in the 2011/12 Audit Plan. Members were informed that the recovery plan following the recent Ofsted inspection on safeguarding services was being closely monitored and supported by specialist interim staff. Progress on the plan was reported monthly to Members and funding had been provided for service improvement. On economic stability, Members were updated on the production of the budget, which was due to be presented to the next meeting of the full Council, and had set a full medium term budget position for the Authority. In response to recommendations on business continuity, a plan was being written by KPMG and a simulation test was in preparation. The Workforce Planning Strategy was also outlined and a workforce plan would be presented to the Corporate Management Team.

The Audit Commission's recommendation that the authority implement a Partnership Governance Toolkit had been completed and partnership terms of reference were being reviewed in line with this. Progress on developing an operational risk register identifying strategic risk was also good. The framework, strategy and policy document were in place and risk management training for staff was complete. It was noted that Departmental registers were still in place. Furthermore, a single procurement strategy was also in development. This would bring together existing procedures and reduce ambiguity. A central contracts register had been implemented in April 2011 and the exemptions process was captured in draft contract procedure rules.??

The District Auditor, Mr Chris Westwood, commented that he was satisfied with the progress made on the Audit Commission's recommendations.

**Resolved:-** That the presentation be noted.

**38. Audit Committee Update (Audit Commission)**

The Committee received a report from the District Auditor, Mr Chris Westwood, on the Audit Commission's progress in delivering its responsibilities as external auditors to the Authority. The report also highlighted emerging national issues and developments of interest to Members. The Committee was informed about the Audit Commission's abolition and the outsourcing of its functions to private firms. Local Authorities would be expected to appoint external auditors under the new arrangements.

In the ensuing discussion, it was noted that the decision to replace the Audit Commission was part of the coalition government's Localism agenda, which would allow local authorities further powers in choosing the services they used. Members were informed that the government's view was that this move would drive down costs for local authorities. The Chair queried the standard of service that would be expected under the new arrangements. It was explained by the Audit Commission that private firms would operate the most rigorous processes when carrying out their services and would be subject to contracts and agreements to ensure standards remained high.

Also discussed were the key considerations proposed by the Audit Commission for the Committee to regard. It was proposed by the Strategic

## Audit Committee - 07.02.12

Director for Resources and Regeneration that in order to make the Commission's considerations more relevant, the Audit Committee's Terms of Reference would need to be revised. It was requested that these be amended and forwarded to the Member Panel on the Constitution and full Council for approval.

**Resolved:-** That the Audit Committee update be noted and for the Terms of Reference to be amended and forwarded to the Member Panel on the Constitution and full Council for approval.

### 39. External Audit Plan (Audit Commission)

The Committee received a report from the Audit Commission on the External Audit Plan 2011/12. The plan described key issues and significant and specific audit risks for the Authority. These included the resilience of the finance function; the importance of transactional services, continuity of service and access to accounting information; procurement; managing organisational change. It was emphasised that the total audit resource would be used to effect and the Audit Commission would work closely with senior officers and the new internal auditors, RSM Tenon to achieve these objectives.

**Resolved:-** That the External Audit Plan 2011/12 be noted.

### 40. Certification of Claims and Returns - Annual Report (Audit Commission)

The Committee received a report from the Audit Commission on Certification of Claims and Returns. It was brought to Members attention that the certification of grants and subsidies was a significant area of work for the Commission and the report summarised the outcomes of the District Auditor's certification work on the Authority's 2010/11 claims and returns. The main finding was a significant area for improvement due to a lack of overall control and monitoring of the claims and returns. Whilst it was understood that significant effort was put into providing files, there had been delays in audit certification and some submission deadlines were missed.

The Strategic Director for Resources expressed concern that issues raised last year had not been addressed. It was requested by Members that a report on the changes in certification on grant control processes be put onto the next agenda for consideration.

**Resolved:-** That the report on Certification of Claims and Returns be noted and an item on the changes in certification on grant control processes be added to the next agenda.

### 41. Presentation - Internal Audit Outsource Agreement Tender

The Committee received a presentation from the recently appointed Internal Auditors, RSM Tenon. The presentation detailed RSM Tenon's background and experience as auditors to public authorities and briefly outlined the services which would be provided to the authority.

**Resolved:-** That the presentation be noted.

**42. Internal Audit Plan 2011/12 - Quarter 4 (RSM Tenon)**

The Committee received a report from the newly appointed Head of Internal Audit on the Internal Audit Plan 2011/12 – Quarter 4. The plan had been developed through consideration of the audit plan for 2010/11 and audits delivered by Deloitte for the current financial year. Discussions had also been held with officers regarding the proposed areas of coverage for the period. It was also confirmed that scoping meetings with members of staff had already been arranged and fieldwork would commence on 10<sup>th</sup> February.

The key risks which were identified in this process would be discussed with the Senior Management Group and a report would be prepared for the Audit Committee. It was also proposed that there be a link between the Strategic Plan and the Strategic Risk Register in areas where senior officers sought assurances. The Strategic Director of Resources commented that there was a concentration of activity in Quarter 4 as there had been significant slippage in the number of days by the outgoing auditors. Members were assured that this would improve in the new arrangements, but stressed that this would result in a greater number of recommendations as audit opinions would become more challenging.

It was emphasised to the Committee that RSM Tenon were interested in which areas Members required assurance and it was suggested that a meeting could be held prior to the finalisation of the audit plan. The Chair commented that guidance from the Chartered Institute of Public Finance and Accountancy stated that it was good practice for Audit Committees to hold periodic private discussions with internal auditors. The Strategic Director of Resources confirmed that the internal audit plan would be presented at the next meeting of the Audit Committee in March.

**Resolved:-** That the Internal Audit Plan 2011/12 – Quarter 4 be noted.

**43. Date of the next meeting - 5th March, 2012**

**Resolved:-** That the next meeting would be held on Monday 5<sup>th</sup> March, 2012.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 7.50 pm)

**SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit Committee                      **DATE:** 27<sup>th</sup> March 2012  
**CONTACT OFFICER:** Julie Evans, Strategic Director, Resources & Regeneration  
**(For all Enquiries)** (01753) 875300  
**WARD(S):** All

**PART I**  
**FOR DECISION**

**PROPOSED CHANGES TO TERMS OF REFERENCE**

**1. Purpose of Report**

To seek Member views prior to consideration of the revised to the terms of reference to the next meeting of the Constitution Panel on 3<sup>rd</sup> April 2012.

**2. Background**

Members will recall the terms of reference for the Audit Committee currently reserves approval of the annual accounts to Cabinet and full Council. This has in the past resulted in some conflict between the role of the Audit Committee in relation to matters of internal control, governance and meeting statutory financial obligations and the timing of the Auditors opinion.

The attached terms of reference propose several changes relating to membership, scope of role and Audit Committee approving the accounts and recommending adoption to full council.

**3. Recommendation(s)/Proposed Action**

- Subject to any comments the Committee is requested to support consideration of these changes by the Constitution Panel on 3<sup>rd</sup> April 2012.

**4. Appendices**

Appendix 'A' – Proposed New Terms of Reference

**5. Background Papers**

'1' - Existing Terms of Reference.

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## **Appendix 'A' - Proposed New Terms of Reference**

### **EXTRACT FROM THE COUNCIL'S CONSTITUTION – 2011**

The Council will appoint an Audit Committee

1. Statement of Purpose

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

#### **Terms of Reference**

2. Within the Terms of Reference of the Committee it will be

- a. the member forum for external auditors matters, recommending to council the approval of the audited statement of accounts, formal approval will remain a full council responsibility.
- b. the member forum for internal audit matters,
- c. a key element of the internal control framework for the Council and take responsibility for the Annual Governance Statement,
- d. be the member forum for risk management matters,
- e. be the member forum for corporate governance matters.

#### **General Role/Membership**

3. The Committee is advisory and therefore not subject to the provisions of the local Government Access to Information Act 1985.

4. The Committee will comprise 7 people (6 Councillors on a proportional basis, and one co-opted member from outside the Council with suitable experience). The quorum for the Committee is two elected members and one co-opted member.

5. That Committee will meet four or more times per year.

6. In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit Advisory Committee limited to a maximum of 2 members. Also Cabinet membership of the Committee is limited to one member.

#### **Specific Functions**

7. The Committee's specific functions shall include but not be limited to

- (a) External Audit
- To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
  - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
  - To consider and comment on any plans of the external auditors
  - To comment on the scope and depth of the external audit work and to ensure it gives value for money
  - To consider any other reports by the external auditors
  - To liaise with the appointed body over the appointment of the Council's external auditor
- (b) Internal Audit
- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
  - To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
  - To consider and approve the annual Internal Audit plan , ensuring that there is sufficient and appropriate coverage
  - To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
  - To contribute to the annual audit plan
  - To comment on the scope and depth of the internal audit work and to ensure it gives value for money
  - To consider any other reports the Chief Internal Auditor may make to the Panel.
- (c) Internal Control
- To recommend the adoption of the Annual Governance Statement to the Council
  - To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.
- (d) Risk Management
- Approve the risk management strategy and review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurances that action is being taken on risk related issues
  - Ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment

- (e) Governance
  - To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
  - To consider the Council's compliance with its own and other published standards and controls
  - To review any issues of governance referred to the Committee by internal or external audit.
  - To take ownership of the Protocol on referring Matters to the External Auditor
  - To review the Anti-Fraud and Corruption policy
  
- (f) Other
  - To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
  - To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
  - To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.
  
- 8. The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the Strategic Director of Resources for Cabinet.
  
- 9. The terms of reference shall be reviewed annually.

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## **Background Papers '1' - Existing Terms of Reference**

### **EXTRACT FROM THE COUNCIL'S CONSTITUTION – 2011**

The Council will appoint an Audit Committee

#### **1. Statement of Purpose**

The purpose of this Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority framework and nonfinancial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

#### **Terms of Reference**

#### **2. Within the Terms of Reference of the Committee it will be**

- a. the member forum for external auditors matters, [formal approval of the auditors statement of accounts will remain a full council responsibility.]
- b. the member forum for internal audit matters,
- c. a key element of the internal control framework for the Council and take responsibility for the Annual Governance Statement,
- d. be the member forum for risk management matters,
- e. be the member forum for corporate governance matters.

#### **General Role/Membership**

3. The Committee is advisory and therefore not subject to the provisions of the local Government Access to Information Act 1985.
4. The Committee will comprise 7 people (5 Councillors on a proportional basis), with co-opted members from outside the Council with suitable experience. The quorum for the Committee is two elected members and one co-opted member.
5. That Committee will meet four or more times per year.
6. In order to promote the independence of the Committee there should be limited cross membership between Overview and Scrutiny Committee and the Audit Advisory Committee limited to a maximum of 2 members. The chair shall be a coopted member of the Committee.

#### **Specific Functions**

7. The Committee's specific functions shall include but not be limited to

- (a) External Audit
- To consider the external audit report to those charged with governance on issues arising from the audit of the accounts, and ensure that appropriate action is taken in relation to the issues raised
  - To consider the external auditor's annual letter and ensure that appropriate action is taken in relation to the issues raised
  - To consider and comment on any plans of the external auditors
  - To comment on the scope and depth of the external audit work and to ensure it gives value for money
  - To consider any other reports by the external auditors
  - To liaise with the Audit Commission over the appointment of the Council's external auditor
  - To identify areas of potential work that may be appropriate for the external auditors
- (b) Internal Audit
- To consider the Chief Internal Auditor's annual audit opinion and the level of assurance given over the Councils Corporate governance arrangements
  - To consider regular reports, including statistics, abstracts and performance of the work of internal audit as presented by the Chief Internal Auditor
  - To consider and approve the Internal Audit Strategy
  - To consider and approve an annual programme of audit work, ensuring that there is sufficient and appropriate coverage
  - To consider reports from Internal Audit on agreed recommendations not implemented in accordance within the agreed timescale
  - To identify areas of potential work that may be appropriate for internal audit
  - To comment on the scope and depth of the internal audit work and to ensure it gives value for money
  - To identify areas of potential work that may be appropriate for internal audit
  - To consider any other reports the Chief Internal Auditor may make to the Panel.
- (c) Internal Control
- To manage the production of the Council's Annual Governance Statement
  - To recommend the adoption of the Annual Governance Statement to the Council
  - To ensure that an appropriate action is taken with respect the issues raised in the Annual Governance Statement.
- (d) Risk Management
- Review the effectiveness of risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements

- Seek assurances that action is being taken on risk related issues
  - Ensure that assurance statements, including the Annual Governance Statement properly reflect the risk environment
  - Manage the production of the Risk Management strategy
- (e) Governance
- To consider the arrangements for Corporate Governance and to make appropriate recommendations to ensure Corporate Governance meets appropriate standards
  - To consider the Council's compliance with its own and other published standards and controls
  - To review any issues of governance referred to the Committee by stakeholders
  - To take ownership of the Protocol on referring Matters to the External Auditor
  - To review the Anti-Fraud and Corruption policy  
[The Whistle-blowing Policy remains within the responsibility of the Standards Constitution. The Committee has a right of comment on changes to this policy].
- (f) Other
- To liaise with the Overview and Scrutiny Committee to ensure that the work of the two committees is complementary
  - To promote effective relationships between external audit, internal audit, inspection agencies and other relevant bodies to ensure that the value of the audit and inspection processes are enhanced and actively promoted
  - To consider financial and non-financial performance issues to the extent that this impacts upon financial management and governance.
8. The Committee shall report annually to the Council and report on an exception basis through the Performance Report produced by the Strategic Director of Resources for Cabinet.
9. The terms of reference shall be reviewed annually.

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# Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 1: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Each claim should be supported by a comprehensive set of working papers produced at the compilation stage and available to auditors at the commencement of the audit.	High	Grant claims and supporting papers will be reviewed and signed off by the Financial Controller before being made available to auditors	For the 2011/12 year-end.	Financial Controller and Business Partners.

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