

Minutes of the Audit Committee

8th June, 2009, at 2.10 pm
at the Fire Service Headquarters, Vauxhall Road, Birmingham

Present: Councillor Turner (Chair);
Councillor Robinson (Vice-Chair);
Councillors Jones, Spence and Ward.
Mr Ager (Independent Member).

23/09 **Minutes**

Resolved that the minutes of the meeting held on 30th March, 2009, be confirmed as a correct record.

24/09 **Annual Report of the Audit Committee 2008/09**

The Committee considered a draft annual report which had been prepared by the Chairman for submission to the Authority. The report had been prepared in pursuance of an action from the Committee's last self assessment to increase the Authority's awareness of its control environment.

Resolved that the draft Annual Report for 2008/09 be approved for submission to the Authority at its Annual Meeting.

25/09 **Governance Statement 2008/09**

The Committee considered the draft Governance Statement for 2008/09.

Members felt that there was further evidence of good practice that could be included in the Governance Statement. Officers indicated that information along these lines from the Authority's Annual Report could be included in the Governance Statement.

Resolved that, subject to the inclusion of additional information with regard to good practice, the Governance Statement be recommended to the Authority for adoption.

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26/09 Annual Internal Audit Report 2008/09

The Committee considered the Annual Internal Audit Report for 2008/09 which summarised the audit work undertaken during the year; any recommendations made as the result of each review; an indication of any other work undertaken outside the original audit plan; and gave a summary of the key control issues that arose during the year. The report indicated that Internal Audit could provide reasonable assurance that the Authority had adequate and effective governance, risk management and internal control processes. This was an unqualified opinion and was the highest level of assurance available to Audit Services.

In response to a Member's enquiry, Internal Audit undertook to follow up progress on the recommendation to produce a monthly outstanding debtors' report.

Resolved that the annual Internal Audit Report 2008/09 be approved.

27/09 Governance Standards – Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives

Further to Minute No 6/09, the Committee was reminded that the Chartered Institute of Public Finance and Accountancy [CIPFA] and the Society of Local Authority Chief Executives [SOLACE] Framework 'Delivering Good Governance in Local Government' suggested that authorities should undertake an annual review of their governance arrangements to ensure continuing compliance with the best practice as set out in the framework. Such reviews should be reported to the Audit Committee, and externally with the published accounts, to provide assurance that governance arrangements were adequate and operating effectively, and that where gaps had been identified an appropriate action plan was put in place to address them. This annual review would feed into the annual Governance Statement.

The Audit Committee as part of its self assessment would consider the effectiveness of the use of the CIPFA/SOLACE framework.

A working group of officers from the Brigade and from Sandwell MBC [representing the Clerk and Internal Audit] had now considered the extensive list of questions set out in the framework document and carried out a self assessment of the Authority's governance arrangements against the requirements of the framework. The outcome of the self assessment was presented, which indicated a

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high level of compliance with the requirements of the framework. It also identified a number of areas where there were perceived gaps, the action required to address those gaps and the timescales to deliver the necessary improvements.

Resolved:-

- (1) that the approach to completing the CIPFA/SOLACE guidance in respect of corporate governance be endorsed;
- (2) that the outcome of the self assessment process be approved; and
- (3) that further updates on progress in addressing the gaps identified by the self assessment be submitted in due course.

28/09 Benchmarking the Authority against the Chartered Institute of Public Finance and Accountancy Red Book 2 – Managing the Risk of Fraud

The Committee was reminded that its self assessment had identified a gap with regard to benchmarking the Authority's performance with regard to managing the risk of fraud. The benchmarking exercise had now been carried out against the requirements of the Chartered Institute of Public Finance and Accountancy 'Red Book 2 – Managing the Risk of Fraud', and the results of the analysis were presented by Audit Services, together with an action plan to address gaps that had been identified.

Resolved:-

- (1) that the report and action plan be approved;
- (2) that a report be submitted in due course on progress on the action plan;
- (3) that arrangements be made for the Committee to receive a briefing on fraud awareness on 18th June, 2009.

29/09 Internal Audit – Internet Usage Audit Report

The Committee considered an internal audit report commissioned by the Treasurer on internet usage, practices and procedures.

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Since a previous similar audit had been carried out, significant investment had taken place with the installation of automated software to detect the content of web sites and block access to unacceptable sites. The software produced a log of all internet activity showing which sites were accessed, which had been blocked and which subjects users had searched for. A sample of log entries was analysed to determine how well these controls were operating, and generally to identify whether there were any issues that management should be aware of or take action on. Six 'significant' and five 'merits attention recommendations were made as a result of the review, resulting in a 'limited assurance' opinion being given. Management had agreed actions that would address the issues that had been identified through the audit and these would be followed up through the usual review process.

The Committee expressed concern that it had only been possible to give a limited assurance opinion in this case, and asked for the recommendations from these reviews to be implemented as soon as possible. Management indicated that the processes that were now in place would allow more robust monitoring of internet access and the detection of any abuses and the implementation of recommendations from both reviews and the monitoring of their effectiveness would be addressed as a priority.

The Committee indicated that it would be monitoring this issue closely.

30/09 Work Programme 2009/10

The Committee considered a draft work programme for 2009/10.

Resolved that, subject to the inclusion of further business for the July 2009 meeting, the work programme be approved.

31/09 Date and time of next meeting

Workshop session – 18th June, 2009 at 1.30 pm
Formal meeting – 6th July, 2009 at 1.30 pm

(The meeting ended at 3.35 pm)

Contact Officer: Georgina Wythes Democratic Services Unit Sandwell Metropolitan Borough Council 0121 569 3791
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