

Item No. 8.3	Classification: Open	Date: July 9 2008	Meeting Name: Council Assembly
Report title:		Annual report to council assembly on work and performance in 2007-08	
Ward(s) or groups affected:		All	
From:		Audit and Governance Committee	

RECOMMENDATION

1. That council assembly notes this report from the audit committee on its work and performance since its establishment in March 2007.

BACKGROUND INFORMATION

2. The purpose of this report was to review this committee's work and performance since its establishment. The audit committee on March 27 2007 considered a report from the finance director on its annual report and agreed to forward it to council assembly.
3. The audit committee was established in March 2007 with terms of reference which included a requirement to report annually to council assembly on its work and performance during the year. This report also includes the initial meeting held in March 2007, as well as its programme during 2007-08
4. The aims of the report are to make council aware of the audit committee's work in relation to its audit, regulatory and financial reporting responsibilities and to provide assurance on areas covered or to identify any concerns.
5. This report does not seek to measure the effectiveness of the audit committee as this will form a part of the review of the system of internal audit which is required under the Accounts and Audit Regulations and which will in turn be reported as part of the review of the system of internal control. The outcome of this review will be reported to the June meeting of this committee.

KEY ISSUES FOR CONSIDERATION

Role of the committee

6. The purpose of the audit committee is to provide
 - Independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment

- Oversight of the financial reporting process.
7. In line with the above, the committee's terms of reference are structured by reference to its three key functions in terms of audit activity, the regulatory framework and the accounts.

Work programme since March 2007

8. In order to ensure that the committee's role was fulfilled, the agendas of meetings since March 2007 considered the following items.

Meeting on 29 March 2007

9. This meeting was the inaugural meeting of the audit committee. After receiving an introductory briefing session which covered the background to audit committees, explained their role and suggested areas for further consideration, and an overview of risk management at the council, the committee received a report on the annual audit and inspection letter 2005-06. Questions were asked of the district auditor on certain aspects of the work, but no issues were identified for further consideration.

Meeting on 28 June 2007

10. The committee received a presentation on the statement of accounts which outlined the key accounting changes reflected in the 2006-07 statement of accounts and made the committee aware of forthcoming changes for future years. It then considered a report on the statement of accounts and statement on internal control for 2006-07. A number of questions were asked of officers before giving approval to both statements.

Meeting on 29 September 2007

11. Reports were received on the 2007-08 internal audit plan and on the Audit Commission's 2007-08 audit and inspection plan. A number of questions were asked on these including one on the timetable for signing off the final accounts. Further to this, the committee requested that efforts be made to sign the accounts off a month earlier in future.
12. The committee also received the annual internal audit report and members asked questions of both officers and representatives of PricewaterhouseCoopers (the council's internal audit contractor). It was agreed that a monitoring report identifying risks and management responses would be developed and brought to future meetings.
13. At this meeting, the committee also received the Audit Commission's report to those charged with governance on issues arising from the audit of the accounts.

Meeting on 7 February 2008

14. The committee considered a draft work programme for 2008-09 and following questions on the proposed dates of meetings, requested an informal meeting in the summer and an additional committee meeting to be scheduled in November.
15. A report was presented on the risk management strategy review. The revised strategy was agreed, subject to several minor amendments and an update of

managing the top 10 risks was requested for the next meeting.

16. As requested at the previous meeting, the committee received a report on the progress of the implementation of 'Critical' audit recommendations. Following a number of questions, the committee requested that future reports should also show information about 'High' audit recommendations. Members also requested an update of action taken.
17. The Audit Commission presented a number of reports. The first of these was on the audit of accounts timeline and there were further discussions about achieving an earlier opinion on the statement of accounts. A report was also presented on the Use of Resources auditor judgments for 2006-07. In response to members' questions, the District Auditor identified a number of areas where the council could make improvements.
18. The committee also received a report on the council's response to a recent consultation carried out by the Audit Commission on its proposed fees and work programme for the next three years.

Training

19. Training has been provided at meetings based on the agenda for the meeting. In addition to the briefing sessions referred to in the above paragraphs, it has also been agreed that a visit to another local council to observe their practices might be beneficial and this remains an option for further consideration.
20. As the role of the committee continues to be developed, other areas may become relevant and future training needs will continue to be reviewed.

Proposed future work programme

21. As has been noted above, the committee considered and approved a draft work programme for 2008-09 at its last meeting. Additional meetings were agreed and in the light of this, an updated work programme is attached for information at appendix 1.

Conclusion

22. During its first year of operation, the committee's work has been largely determined by financial processes such as the closure of accounts and reporting timetables. From the start, the committee has endeavoured to ask questions on matters before it in a challenging yet constructive way and, more recently, it has begun to consider how it can shape its agendas to ensure that it operates with greatest effect. This is reflected elsewhere on this agenda, for example, in the extended scope of the regular monitoring report on audit recommendations. This will help to ensure that it provides an even higher level of assurance of the adequacy of the council's governance arrangements.

Policy implications

23. Members will be aware of the constitutional review which was under way in 2007-08. Meetings of the constitutional steering panel were timetabled to consider proposals prior to the annual meeting of council assembly on May 21 2008.
24. The only proposal to have been considered was to rename this committee as the

audit and governance committee to recognise more accurately that a significant part of its responsibilities relate to governance arrangements. This was agreed by the annual meeting in May 2008. It is not yet clear whether there will be any other implications of the review for this committee.

Community Impact Statement

25. This report is not considered to contain any proposals which would have a significant impact on any particular community or group.

Resource implications

26. There are no direct resource implications in this report.

Consultation

27. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

28. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial Governance files	Financial Management Services Room 4.14, Southwark Town Hall, London SE5 8UB	Jo Anson 020 7525 4308
Audit Committee – March 27 2008 - Annual report to council assembly on work and performance in 2007-08	Constitutional Team Southwark Town Hall,	Andrew Weir 020 7525 4326

APPENDICES

No.	Title
Appendix 1	Updated work programme for 2008/09

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Simon Hughes, Assistant Finance Director Jo Anson, Head of Financial Governance	
Version	Final	
Dated	June 26 2008	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director for Legal and Democratic Services	No	No
Finance Director	N/a	N/a
List other officers here		
Executive Member	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	June 26 2008	

Updated Work Programme for 2008-09

Item	Meeting date					Comments
	June	September	November	February	March	
General						
Annual work programme for following year					Y	
In-year review of work programme	Y	Y	Y	Y	Y	To pick up emerging issues
Annual report of audit committee					Y	Report on committee's work and performance to be submitted to council assembly each year
Internal Audit and Risk activity						
Internal audit plan					Y	
Annual report and opinion on internal audit, fraud and risk	Y					Including opinion on system of internal control
Internal audit monitoring report on critical recommendations		Y	Y	Y	Y	Issues raised and progress on implementation
External Audit activity						
Annual Audit and Inspection Plan (Audit Commission)	Y					
Annual Audit and Inspection letter (Audit Commission)					Y	

Item	Meeting date					Comments
	June	September	November	February	March	
Implementation of audit recommendations and update on anti-fraud measures	Y	Y	Y	Y	Y	
Regulatory framework						
Annual governance statement	Y					
Review of system of internal audit	Y					
CPA – Use of Resources judgment			Y	Y		
Risk management		Y				
Corporate governance framework	(Y)	(Y)	(Y)	(Y)	(Y)	Standing item to include e.g. council policies within remit of audit committee; code of governance
Accounts						
Statement of accounts	Y					If statement is revised, item may need to be included subsequently also
Annual governance report (ISA260)		Y				