

AUDIT SUB-COMMITTEE

19th June 2012

**PRESENT:-**

**Conservative Group**

Councillor Harrison (Chairman), Councillor Ford (Vice-Chairman) and Councillor Mrs. Hood.

**Labour Group**

Councillor Shepherd.

AS/1. **APOLOGY**

An apology for absence from the Meeting was received from Councillor Bell (Labour Group).

AS/2. **MINUTES**

The Open and Exempt Minutes of the Meeting held on 4th April 2012 were taken as read, approved as true records and signed by the Chairman.

**MATTERS DELEGATED TO SUB-COMMITTEE**

AS/3. **A REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR MONITORING SICKNESS ABSENCE**

A report was submitted by Grant Thornton, the Council's External Auditors, following their review of the arrangements for monitoring sickness absence. Kyla Bellingall presented the report, which comprised the background to the review, the audit approach, findings and recommendations. Member's questions were invited and responses were provided with regard to the proportion of long-term sickness absence and it was confirmed that the statistics did not include the staff transferred to Northgate. Another issue was how work-related accidents were reported to Members and it was agreed to recommend that the Finance and Management Committee receive periodic reports on this aspect.

**RESOLVED:-**

***That the recommendations of the External Auditor and the actions of management to implement them are approved.***

AS/4. **INTERNAL AUDIT QUARTERLY REPORT**

A progress report was provided detailing the performance and activity of Internal Audit between February and May 2012. Adrian Manifold of the Central Midlands Audit Partnership took Members through the circulated document. This comprised a summary, details of audit coverage, audit performance and recommendation tracking. In particular, the officer highlighted a section about the Rosliston Forestry Centre audit and three issues that were considered to be key control weaknesses. Related to this, responses were provided to Members' questions. Next, there was discussion of the pre-employment vetting audit and a significant risk identified. Officers confirmed that the recommendations were accepted and actions had been put in place to reduce the potential risk. Audit confirmed that they would follow up their implementation in accordance with their normal process. The Officer also provided further information about audit coverage, confirming that certain areas of previous audit activity had now been transferred to other sections of the Council. Members acknowledged the ease of understanding of the audit report.

**RESOLVED:-**

***That the report of the Audit Manager be received.***

AS/5. **A REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

In accordance with statutory requirements, a report was submitted to consider the effectiveness of the Internal Audit function. The report made reference to the transfer of the Service to the Central Midlands Audit Partnership. There was no mandatory requirement or guidance on how the function should be reviewed and the assessment had been undertaken by the Council's Chief Finance Officer in conjunction with the Head of Governance and Assurance at Derby City Council. The assessment was based on the framework guide developed by the Chartered Institute of Public Finance and Accountancy Better Governance Forum. This aimed to provide practical support to help make internal audit more effective. The function had been assessed against the six "building blocks" for effective internal audit identified in the guidance. The assessment of the Chief Finance Officer against each of these areas was summarised within the report. These comprised leadership, governance and relations, customer focus, people, systems and processes and professional standards.

In response to a Member's question, it was noted that the current partnership contract was for a five year period, with the potential of a two year extension.

**RESOLVED:-**

***That the Sub-Committee notes the conclusion that the Internal Audit function is considered to be effective.***

AS/6. **HEAD OF INTERNAL AUDIT'S ANNUAL AUDIT OPINION 2011/12**

A report was submitted to provide the Head of the Internal Audit Partnership's opinion on the adequacy and effectiveness of the Council's internal control environment. There was a requirement under a Code of Practice for Internal Audit in Local Government that the Head of Internal Audit should provide a written report to those charged with governance. This was timed to support the Annual Governance Statement. Management was responsible for the system of internal control. Internal Audit reviewed, appraised and reported on the effectiveness of the financial and other management controls. The audit opinion was based on the work undertaken in 2011/12. This reviewed all audit activity carried out during the year. Individual assurance ratings from the audits conducted and the process with agreed actions were used to form the overall opinion. The report recognised the transfer of the function to the Central Midlands Audit Partnership. Therefore, the opinion included the earlier work by the South Derbyshire Internal Audit team, for the period to December 2011. It had not been possible to complete the assessment for some areas, due to the absence of back-up files, although the electronic records were available. A table was included within the report showing the areas of audit review during this period and the level of assurance that could be provided for each area.

Further commentary was provided on the other mechanisms used in reaching the conclusion, that there was an acceptable level of internal control within the Council's systems and procedures. There were no critical risk recommendations made or adverse implications for the Authority's Annual Governance Statement from any of the work that Internal Audit had undertaken in 2011/12. All of the risks raised within the internal audit reports had been accepted and their recommendations or proposed alternate actions implemented in full. Internal Audit would follow up the implementation of recommendations with the relevant responsible officers and progress would be reported to the Sub-Committee.

**RESOLVED:-**

***That the Sub-Committee notes the annual audit opinion for 2011/12.***

AS/7. **LOCAL CODE OF CORPORATE GOVERNANCE – REVIEW OF SELF ASSESSMENT**

A report was considered on the background and process, which had led to the submission of the review of Self Assessment and Action Plan. Background was provided on the Local Code of Corporate Governance adopted by the Council in 2008 and on the role of the Audit Sub-Committee in receiving half-yearly reports on progress. A definition was provided of corporate governance

and the purpose of the Local Code of Governance. The report stated the Council's commitment to corporate governance and set out the six core principles against which corporate governance arrangements were measured. An officer working group was established to undertake an assessment against the CIPFA/SOLACE checklist for governance arrangements. The report also included the scoring mechanism used to assess the level of compliance with the supporting principles. A document showing the progress that had been made in the last six months was appended to the report, together with a copy of the Action Plan.

In response to a question, it was noted that use of the Member training budgets had been quite low in recent years. This issue could be raised when the report was submitted to the Council.

**RESOLVED:-**

***That the Sub-Committee reports to Council on progress in achieving the action points set out in the Self Assessment of performance under the Local Code of Corporate Governance.***

AS/8. **ANNUAL GOVERNANCE STATEMENT 2011/12**

A report was submitted on the Annual Governance Statement (AGS) for 2011/12. A definition was provided on governance and it was confirmed that this was an area that concerned the whole Authority. In recent years, it had assumed a higher profile, due to greater expectations and the need to avoid issues around financial reporting, public conduct and accountability. Appended to the report was a flowchart that set out the process for compiling the AGS. It also provided a framework of issues to address and report upon for assuring the Sub-Committee in respect of internal control and governance arrangements. Details were provided of the CIPFA guidance on production and publication of the AGS, together with the work undertaken in completing it. An Action Plan, produced in May 2011 was progressed during 2011/12 to address key issues identified, to maintain and strengthen the governance environment. Details of the areas achieved were included within the report. The proposed plan for 2012/13 was also detailed in the AGS to maintain robust governance. Details were also provided of the work programme.

**RESOLVED:-**

- (1) That it be recommended to the Finance and Management Committee that the Annual Governance Statement for the year ended 31st March 2012 be approved for publication alongside the Statement of Accounts for 2011/12.***
- (2) That it be recommended to the Finance and Management Committee that the Leader of the Council and the Chief Executive be authorised to sign the Annual Governance Statement.***

AS/9. **INTERNAL AUDIT REVIEW OF LEGAL AND DEMOCRATIC SERVICES - FOLLOW-UP OF RECOMMENDATIONS**

Under Minute No. AS/23 of 22nd February 2012, the Sub-Committee considered an Internal Audit report regarding an audit of the elections process in Democratic Services. Two low risk recommendations had been made, which, although accepted, were not being considered for full implementation by the service manager. Background was provided on these matters. The Sub-Committee had felt that compliance with the purchasing procedural rules was important and so officers had been asked to review their decision.

Consequently, following a further review of processes, officers had accepted the recommendations and would implement them accordingly. Internal Audit would follow up the recommendations as part of their normal processes, in due course.

**RESOLVED:-**

***That the Sub-Committee notes the acceptance of the outstanding recommendations.***

J. HARRISON

CHAIRMAN

The Meeting terminated at 3.10 p.m.