

AUDIT SUB-COMMITTEE

14th December 2006

PRESENT:-

Labour Group

Councillor Shepherd (Chair), Councillor Bell (Vice-Chair) and Councillor Lane.

Conservative Group

Councillors Atkin and Bladen.

AS/13. **MINUTES**

The Open Minutes of the Meeting held on 27th September 2006 were taken as read, approved as a true record and signed by the Chair.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/14. **AUDIT COMMISSION – DATA QUALITY SCORE FEEDBACK REPORT**

The Sub-Committee considered a report on the Audit Commission's Data Quality Score Feedback. Members were advised that the Audit Commission had developed a new approach to the audit of Council performance indicators. This was a broader approach than the previous review of Best Value Performance Indicators (BVPI's) which focused on a Council's arrangements to ensure data quality. The Audit Commission's approach had three stages:-

Stage 1: Review of overall management arrangements to secure data quality.

Stage 2: "Completeness Check" of reported performance information.

Stage 3 Data quality spot checks.

At the present time the Council was at Stage 1 of the process. Stage 1 work focused on five key lines of enquiry:-

- Governance and Leadership
- Policies
- Systems and processes
- People and Skills
- Data Use

Each key line of enquiry was assessed on a 1 – 4 scale.

The Sub-Committee was advised that for each of the key lines of enquiry in stage 1, the Council had scored 2 – adequate performance giving an overall score of 2. The majority of the improvements identified in the Audit Commission's report were quite specific and it was intended to bring them within the ambit of a comprehensive data quality strategy which should be completed by the end of March 2007, in accordance with the Council's Improvement Plan. It was proposed to submit the Audit Commission's report to the February 2007 meeting of the Finance and Management Committee

with the comments of this Sub-Committee and a progress report on the completion of the strategy.

Members queried the improvements needed to move the Council's rating to the next scale and an assessment in terms of the costs and benefits of undertaking this work. The Sub-Committee was advised that an options appraisal on moving to the next scale was required and it was important that a proportionate approach was followed.

RESOLVED:-

- (1) That the Sub-Committee endorses the findings and conclusions in the Audit Commission Data Quality Score Feedback report and resolves to recommend the Finance and Management Committee accordingly, but is mindful of the resource implications in moving to level 3 of the Audit Commission, audit of performance indicators and requests that a risk based approach be followed.***
- (2) That the Deputy Chief Executive be requested to submit a progress report on a Strategy Action Plan in respect of data quality to the Sub-Committee in six months time.***

AS/15. **SUMMARY OF INTERNAL AUDIT REPORTS 2006/07 (SEPTEMBER – NOVEMBER)**

The Sub-Committee considered a report on specific Internal Audit reports in respect of the following:-

- Main accounting system
- Bank reconciliation
- Creditors

The report summarised recommendations categorised as high from individual audit reports. Internal Audit had provided an assurance that the key financial systems could be relied upon and that a sound system of internal control existed within the Council.

Members noted that in respect of the audit report on creditors, there were no high/significant risk recommendations. The Sub-Committee requested further information in respect of the reports on the main accounting system and the bank reconciliation system, and indicated that it was satisfied that the high risk areas covered by Internal Audit were being dealt with properly.

RESOLVED:-

- (1) That the Audit Report in respect of creditors be noted.***
- (2) That a detailed progress report be submitted to the next meeting of the Sub-Committee on the Council's main accounting system and the bank reconciliation process.***

AS/16. **MEASURING THE EFFECTIVENESS OF THE AUDIT SUB-COMMITTEE**

Members considered a report on the process for measuring the effectiveness of the Audit Sub-Committee. Members were advised that external auditors

assessed the effectiveness of Audit Committees against best practice and that South Derbyshire's Audit Sub-Committee would be assessed during 2006/07 by the Audit Commission. The Chartered Institute of Public Finance and Accountancy (CIPFA) had issued practical guidance on the establishment and operation of Audit Committees which had been followed by this Council, including a self-assessment process. The self-assessment checklist had been completed for the Sub-Committee, the details of which are set out at Annexe 'A' to these Minutes.

Members noted that the primary purpose of the Sub-Committee was to oversee the audit process and to consider internal and external audit reports and the use of resources assessment. The Sub-Committee would also consider the Statement of Internal Control and Anti- Corruption Strategy, which would then be recommended for adoption by the Finance and Management Committee at the appropriate time.

RESOLVED:-

- (1) That the content of the report on Self-Assessment CIPFA Measuring of Effectiveness of Audit Committees be noted.***
- (2) That the monitoring approach for the regulatory framework processes detailed in the Sub-Committee's Terms of Reference be confirmed.***

AS/17. **INTERNAL AUDIT'S TERMS OF REFERENCE**

The Sub-Committee considered a report which provided details of changes proposed to the Council's Internal Audit Team's Terms of Reference as outlined in the Audit Commission report on Internal Audit – May 2006.

The Council's External Auditor had undertaken a review of the Internal Audit Service as part of its 2005/06 Audit Programme. This assessed the service against the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2003. The external auditor had raised a number of issues concerning the Internal Audit's Terms of Reference.

It was recommended that the relevant Financial Regulations and Financial Procedure Rules be reviewed to reflect current practice. This related to the reporting lines and responsibility associated with the establishment of the Council's Audit Sub-Committee. Members were advised that a section on the Audit Sub-Committee was to be included in the Financial Procedure Rules (as detailed at Annexe 'B' to these Minutes). The responsibilities of the Director of Corporate Services as the responsible Finance Officer, and Chief Officers were also included. This updated the Internal Audit's Terms of Reference to reflect current practice.

RESOLVED:-

That the Finance and Management Committee be recommended to approve the changes to the Council's Financial Procedure Rules as detailed at Annexe 'B' to these Minutes for recommendation to the Council.

D.G. SHEPHERD

CHAIR

The Meeting terminated at 7.25 p.m.