

AUDIT SUB-COMMITTEE

17th June 2009

PRESENT:-

Conservative Group

Councillors Atkin, Jones and Timms.

Labour Group

Councillors Lane and Shepherd.

AS/1. **APPOINTMENT OF CHAIRMAN**

RESOLVED:-

That Councillor Timms be appointed Chairman of the Audit Sub-Committee for the ensuing year.

AS/2. **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED:-

That Councillor Atkin be appointed Vice-Chairman of the Audit Sub-Committee for the ensuing year.

AS/3. **MINUTES**

The Open Minutes of the Meeting held on 8th April 2009 were taken as read, approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/4. **LOCAL CODE OF CORPORATE GOVERNANCE – REVIEW OF SELF-ASSESSMENT**

A report was submitted outlining the background and process, which had led to the submission of the Review of Self-Assessment document and action plan, which was appended to the report. A revised Local Code of Corporate Governance was adopted by the Council on 3rd July 2008, at which time it was reported that a Self Assessment audit had been carried out by Officers providing evidence of how the Council had fulfilled or intended to fulfil its commitment to corporate governance. In approving this Code, Council resolved that the Audit Sub-Committee should receive half-yearly reports on

progress in relation to compliance with the six core principles on which the Code was based. This was to ensure that the Audit Sub-Committee oversaw and monitored arrangements for complying with corporate governance issues, including approving the Annual Governance Statement.

The detail of the report provided a definition of Corporate Governance and explained the purpose of a Local Code of Governance. It stated the Council's commitment to Corporate Governance and explained how governance arrangements were measured against six core principles, which were set out within the report. A senior officer group had been established, had met previously, and would continue to do so on a six-monthly cycle to assess the governance arrangements. The group carried out an assessment against CIPFA/SOLACE checklists to measure compliance with the six supporting principles. This self-assessment provided the evidence of how the Council had fulfilled or intended to fulfil its commitments, and a copy of the report showing the progress made in the last six months was also provided.

Members had requested at the last Audit Sub-Committee Meeting, that they required an external review of the authority's Corporate Governance arrangements. The Council had requested Janie Barrett of SOLACE Enterprises to undertake such a review in March 2009. The review confirmed that the Council's Local Code complied in full with best practice. This was set out in the national framework and guidance for the production of the Code and its contents, identifying individuals and committees to be responsible for monitoring and review of systems, process and documentation referred to in the Code, with evidence to show that this was taking place. The review stated that the Council had identified those areas where it wished to improve and how these areas should be addressed.

The conclusion of the review was that the next stage was for the Council to consider how it could go beyond policies and processes, and embed good Corporate Governance into all Council activity. Examples of current good practice were included within the report.

There was also a need identified to address Member Training and Development and to develop a good practice protocol for partnership working. It was requested that progress on Member training be considered at the next meeting.

RESOLVED:-

That progress in achieving the action points set out in the self-assessment of performance under the Local Code of Corporate Governance be reported to Council.

AS/5. **ANNUAL GOVERNANCE STATEMENT**

A report was submitted on the Annual Governance Statement, which formed part of the statement of accounts for 2008/09. 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 Annual Governance Statement (AGS) and provided the framework of issues to address and report upon, for assuring the 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 compiling it. An action plan, produced in May 2008, was progressed during 2008/09 to address significant issues identified as key in further strengthening the governance environment, forming part of the AGS. Details of the areas achieved were included within the report.

In addition, an action plan had been completed which would be progressed during 2009/10 and beyond, to address significant issues identified as key in further strengthening the governance environment. Areas included were also detailed within the report.

A Member referred to Health and Safety performance statistics, and queried who monitored them. The Director of Corporate Services responded that she would check and report back to the Audit Sub-Committee.

RESOLVED:-

- (1) That it be recommended to Finance and Management Committee that the Annual Governance Statement for the year ended 31st March 2009, attached at Appendix B, be approved for inclusion in the 2008/09 Accounts.***
- (2) That it be recommended to Finance and Management Committee that the Leader of the Council and the Chief Executive be authorised to sign the Annual Governance Statement.***

AS/6. **ANNUAL REPORT OF THE INTERNAL AUDIT SERVICE 2008/09**

The Sub-Committee considered the Annual Report of the Internal Audit Service, which provided Members with information on the work of Internal Audit during the past year. It provided an assurance that the Council's key financial systems could be relied upon and that a sound system of internal control existed.

The detail of the report explained the work undertaken by the Internal Audit Team and its close working relationship with the external auditors.

Increasingly, audit work focused on the effectiveness of computer systems that were used to administer Council finances.

In receiving the Annual Report, Members discussed further information on budgetary control.

RESOLVED:-

(1) That the Annual Report of the Internal Audit Service be noted.

(2) That the Annual Internal Audit Assurance Statement be approved.

AS/7. **SUMMARY OF INTERNAL AUDIT REPORTS 2009/10 (FEBRUARY TO MAY 2009)**

It was reported that the Internal Audit team undertook its work in accordance with the Council's Strategic Audit Plan. Reports and memoranda were produced for many areas, detailing recommendations for improvements in internal control. Recommendations were categorised depending upon the degree of risk identified. A summary of reports, recommending improvements to potential high-risk control weaknesses were submitted. This summary also included progress on the implementation of recommendations reported previously. Details were provided of those areas that Internal Audit had undertaken work on for the previous period. This service had also given advice on security, contract, control and corporate governance issues.

A question was submitted on outstanding debt and bank reconciliation. It was confirmed that after six years, debt must be written off. Debt statistics were submitted to the Finance Management Committee and the District Council had a debt target. Officers advised that if there were concerns in this area, the Audit Sub-Committee might wish to ask for a further report, but currently debt was decreasing.

RESOLVED:-

That the summary of audit reports be noted.

AS/8. **SECTION 106 DEVELOPER CONTRIBUTIONS – ASSESSMENT OF INTERNAL CONTROL**

The Audit Sub-Committee had requested Internal Audit to examine the management of Section 106 Agreements as part of their annual work plan, and report the outcome. It was confirmed that a system audit had been undertaken to determine the level of internal control operating within the function, an audit report had been produced and had been discussed with management. A standard audit report had been produced, as used for system and probity audits.

Within the report, the areas examined were:-

- Policy and procedure
- Negotiating the agreement
- Monitoring – database
- Monitoring – compliance by developer
- Monitoring – compliance by the Council

Full details were given and it was concluded that developers' guidance and the procedures for administering Section 106 Agreements had been enhanced over recent years. Guidance and procedures were thorough and easily read when dealing with the complexities of regulations. A system for monitoring all aspects of the agreement had been established, including how, when and where the contributions were spent. An Officer had been appointed to administer and monitor the function.

The system evaluation confirmed that, overall, sufficient controls existed within the system. There was however, a need to ensure that all data necessary to determine compliance with trigger points, default and liability criteria was gathered to maintain completeness and integrity of the database. A further audit was planned to examine the use of developer contributions on a multi-funded capital scheme and to assess the planning obligation function against the Audit Commission's awareness and value for money checklist. It was considered that the District Council was further advanced than many local authorities in controlling and administering developer contributions as determined under Section 106 of The Town and Country Planning Act 1990.

RESOLVED:-

That the Section 106 report be noted.

AS/9. **PROPOSED IMPROVEMENT PLAN FOR INTERNAL AUDIT**

At a previous meeting of the Audit Sub-Committee, it was resolved that an action plan be formulated comprising the areas identified, where potential improvement to the Council's internal audit function could be made. This followed consideration of a report from Price Waterhouse Coopers (PWC) concerning a review of the effectiveness of internal audit. Based on the evidence provided in the report from PWC, the Sub-Committee agreed that internal audit at the Council was effective. However, several areas of improvement were recommended by PWC to further enhance the level of service being provided. A proposed improvement plan for consideration was detailed in an annexe to the report, which analysed the points raised by PWC and proposed further actions with timescales and review criteria.

The Chairman requested that the Council's thanks be passed on to Price Waterhouse Coopers and it's officers for their work in this area.

RESOLVED:-

- (1) That the proposed Improvement Plan for Internal Audit as detailed in the appendix for 2009/10 be approved.***
- (2) That progress against the Plan is reported to the Committee on a quarterly basis.***

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 5.45 p.m.