

OPEN

AUDIT SUB-COMMITTEE

6th April 2010

**PRESENT:-**

**Conservative Group**

Councillor Timms (Chairman), Councillor Atkin (Vice-Chairman) and Councillor Ford.

**Labour Group**

Councillor Shepherd.

**APOLOGY**

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

AS/25. **MINUTES**

The Open Minutes of the Meeting held on 24th February 2010 were taken as read, approved as a true record and signed by the Chairman.

**MATTERS DELEGATED TO SUB-COMMITTEE**

AS/26. **GRANT THORNTON – GRANTS REPORT 2008-09**

The Chairman welcomed John Roberts of Grant Thornton, who presented the Grants Report for 2008/09. The Executive Summary of the document comprised an introduction, the approach and context to certification and reference was made to an exhibit on key messages from this process. The detailed findings were then reported and Mr. Roberts referred Members to another exhibit showing performance against targets. The document included sections on the management arrangements and significant findings in relation to individual claims and returns. Recommendations were made for improvement and these were shown in an appendix to the document. Specific reference was made to the Housing Revenue Account (HRA) subsidy base data return and housing and council tax benefits scheme. Further appendices concerned the approach and context to certification, details of claims and returns certified in 2008/09 and the content of working papers. Overall, there were positive messages on the areas of improvement achieved.

A Member asked that Officers be thanked for their diligence and the resultant savings in audit fees. Clarification was sought regarding the position on grant claim errors and how these would be viewed. It was noted that compared to some other local authorities, this Council was performing well and it was trying

to improve still further. Reference was made to the management response on the action plan.

There was discussion about the grant claims relating to housing and council tax benefits and the HRA subsidy base data. Further information was provided on the need to establish comprehensive records relating to property sizes, the ongoing work with the Housing Division and this high priority area could be reported back to a future Meeting. If this area was not addressed, it would be qualified in subsequent audit reports. A Member suggested that an update report be submitted to the next Meeting on the two high priority areas. It was questioned how the review would be undertaken. There was a need to identify the internal dimensions of properties on a sample basis.

There was also discussion about the Audit Commission's "40+" approach, which Mr. Roberts provided further information on.

**RESOLVED:-**

- (1) ***That the Grant Thornton Grants Report for 2008/09 is received and approved.***
- (2) ***That a report be submitted to the next Meeting of the Audit Sub-Committee on the high priority recommendations in the action plan, highlighted by the Auditors.***
- (3) ***That thanks be recorded to Officers for their diligence and the resultant savings in audit fees.***

AS/27. **ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

It was reported that regulations required authorities to review the effectiveness of their system of internal audit once each year, and that the findings of the review be considered by an appropriate Committee. The internal audit function was considered to be a key indicator in providing an assurance on internal control. This review was required as part of satisfying the overall governance arrangements in local authorities and would feed into the Council's Annual Governance Statement for 2009/10.

Background was provided about the internal audit function and the Government guidance, which suggested that the Audit Committee was the appropriate body to consider the results of the review. A key point was that it was for each authority to conduct an annual review. This was not undertaken by the appointed auditor, although external audit did review elements of Internal Audit's work.

The basis of the review was reported and it was not about processes or value for money. It was to ensure that the opinion in the Annual Report of the Audit Manager might be relied upon as a key source of evidence for the system of

internal control. The review's focus should be on delivery of the internal audit service to the required standard and should include the extent to which audit added value to the Authority.

Annual reviews had been conducted since 2006/07 on a three-year cycle. In 2008/09 an independent internal assessment was undertaken by Price Waterhouse Coopers. For 2009/10 the review had been conducted by reference to the self-assessment checklist, on which details were provided. The review of the internal audit function was shown as an appendix to the report, setting out 10 specific characteristics, with the corresponding evidence of how audit compared to each one. There was then a conclusion as to whether each characteristic was met and areas to be developed. Most of the checklist from 2006/07 still applied, but it had been updated to reflect actions that had arisen from subsequent reviews, in particular those undertaken through last year's peer review.

Members gave consideration to the characteristics and specifically that relating to ensuring internal audit staff were sufficiently experienced, qualified, knowledgeable and received regular development and training. The Sub-Committee discussed the opportunities for joint working to increase skill levels and proposals in 2010 to work with a neighbouring local authority, to buy in services in the short term, to meet a shortfall in resources due to an impending retirement. This would be one of several options presented to the Finance and Management Committee in due course. The benefits of networking were also discussed. Questions were responded to on the impact of the International Financial Reporting Standards and Internal Audit's recommendations for improvement.

**RESOLVED:-**

- (1) ***That the report on the effectiveness of the Council's Internal Audit function is received.***
- (2) ***That based on the evidence submitted, the Sub-Committee gives the opinion that Internal Audit is effective.***

AS/28. **PROPOSED WORK AND REPORTING PROGRAMME 2010/11**

A report was submitted for the Committee to review its main work and reporting programme for 2010/11. The proposed programme was appended to the report and to an extent, statutory requirements determined when certain reports needed to be considered by the Sub-Committee. The Committee would continue to receive quarterly reports from the Audit Manager and the external auditor would attend most meetings.

**RESOLVED:-**

***That the proposed work programme for 2010/11 be approved as submitted.***

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 4.30 p.m.