

AUDIT SUB-COMMITTEE

25th September 2008

PRESENT:-

Conservative Group

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

Labour Group

Councillors Lane and Shepherd.

AS/9. **MINUTES**

The Open Minutes of the Meeting held on 18th June 2008 were received.

With regard to Minute Nos. AS/6 and AS/7, clarification was sought on the arrangements for the six-monthly review of progress in achieving the action plan set out in the Local Code of Corporate Governance. It was confirmed that a special meeting would be arranged for this purpose. Subject to this clarification, the Minutes were approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/10. **GRANT THORNTON: ANNUAL GOVERNANCE REPORT 2007/08**

The Chairman welcomed John Roberts and Kyla Bellingall of Grant Thornton to the Meeting. The Annual Governance report for 2007/08 had been circulated, which Mr. Roberts presented. This document comprised the accounts opinion, the value for money conclusion and included a series of appendices. The accounts opinion explained the approach to the audit and the key audit findings, comprising interim audit, accounting policies and practices, material risks and exposures, audit adjustments, unadjusted errors and other matters. Under the value for money section of the document, conclusions were provided for each of the twelve code criteria, together with a corporate assessment, data quality audit for 2007, the Use of Resources key lines of enquiry 2007 and those for 2008 and 2009.

Kyla Bellingall then referred Members to the report's appendices, particularly the accounts adjustments agreed and those not processed. An explanation was given of the circumstances relating to account adjustments, which did not affect the income and expenditure account and four reportable disclosure adjustments. Additionally, there were two adjustments that had not been processed. Again, these had no affect on the income and expenditure account.

Next, the Sub-Committee was referred to the Action Plan, which had two areas for review by the Head of Finance and Property Services, relating to estimated claims and SoRP compliance. It was questioned when these reviews should be completed. The Auditors considered that this should be implemented by the closedown in August 2009. The SoRP compliance disclosure checklist was an essential part of the process and there were four specific areas identified. The Sub-Committee discussed when and how it would receive information on the implementation of the Action Plan, referring to specific paragraphs of the Auditor's report and how it would deal with the accounts adjustments not processed.

RESOLVED:-

- (1) That Grant Thornton's Annual Governance Report for 2007/08 be received.***
- (2) That in June 2009, the Audit Sub-Committee reviews the implementation of actions as shown in the Action Plan, a copy of which is incorporated in the Signed Minute Book at Annexe SMB1.***
- (3) That the Sub-Committee approves formally the accounts adjustments not processed shown at Annexe SMB2 to the Signed Minute Book.***

AS/11. **GRANT THORNTON – AUDIT AND INSPECTION PLAN 2008/09**

The Sub-Committee received Grant Thornton's Audit and Inspection Plan for the current financial year. It was asked to consider and comment on the scope and depth of the planned work, in particular to ensure it provided value for money. Mr. Roberts of Grant Thornton presented this item and took Members through the Annual Audit and Inspection Plan. To a large extent, the Auditor's work was governed by statutory requirements, influenced by such factors as how the Council performed, it operated and the degree of local risk involved. The Auditors also relied fundamentally in some areas on the work of Internal Audit. The auditor's role was also to support development and involved assessing improvement and the use of resources, together with a "direction of travel" assessment. The report set out the scope of the work for 2008/09, including some detailed reviews on a number of stated areas. In presenting the report, Mr. Roberts explained the roles of Grant Thornton and the Audit Commission. He focused on CPA and inspection and then took Members through the various elements that made up the Use of Resources audit. The Plan also included sections on the Financial Statement audit, grant claims, the Audit and Inspection team and audit fees.

A question was submitted about the risks associated with the management of Section 106 Agreements. It was questioned whether there was scope for the Auditors to look at this area and was felt it might be an area for Internal Audit. If there was a potential risk or weakness, this could lead to a specific area of work for Grant Thornton.

Note: At 4.45 p.m. Councillor Jones joined the Meeting.

In response to a Member's question, further information was provided about the introduction of International Financial Reporting Standards. Once this issue became clearer, Grant Thornton would give a presentation to Members. With regard to the audit fee levels, it was questioned whether there was a likelihood of the workload increasing and a comparison was made to the private sector. A Member referred to the Comprehensive Area Assessment, the Local Area Agreement and a range of other external influences that had an impact on the District Council. It was questioned whether the Council would need to review its Constitution, to reflect these external influences.

RESOLVED:-

That the Audit and Inspection Plan for 2008/09 be received.

AS/12. **SUMMARY OF INTERNAL AUDIT REPORTS 2008/09 (JUNE – AUGUST)**

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 of work, detailing recommendations for improvements in internal control. Recommendations were categorised dependent upon the degree of risk identified. A summary of reports, recommending improvements to potential high risk control weaknesses was submitted. The 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. The Internal Audit service had completed 20.16% of planned audit days, which was slightly less than anticipated, as a result of illness. It was questioned whether this posed a risk and there might be a need to re-programme some aspects of the team's rolling plan.

Further to the previous item, there was a discussion about how the Council managed Section 106 Agreements and how the Internal Audit section could look at this issue. An example was used to clarify the nature of the proposed audit work, around how the District Council managed the monies received from such agreements and accounted for this. The Section 151 Officer was happy to include this work area and to report back to Members over the next 6-9 month period.

Further to Minute No. AS/11 above, there was discussion about the possible need to review the Council's Constitution, to take account of the Comprehensive Area Assessment and the Local Area Agreement. It was suggested that this issue be discussed further at a future Meeting of the Sub-Committee, when the Monitoring Officer was in attendance.

RESOLVED:-

(1) That the summary of audit reports be noted.

(2) That Internal Audit looks at the Management of Section 106 Agreements as part of its Work Plan and that a further report be

submitted to the Audit Sub-Committee in the next 6-9 month period.

- (3) That the Monitoring Officer be invited to attend the next Audit Sub-Committee Meeting, to discuss the potential need to review the Constitution in view of the Comprehensive Area Assessment and the Local Area Agreement.***

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 5.10 p.m.