OPEN

AUDIT SUB-COMMITTEE

6th April 2011

PRESENT:-

Conservative Group
Councillor Timms (Chairman), Councillor Mrs. Patten (Vice-Chairman) and Councillor Ford.

Labour Group
Councillors Lane and Shepherd.

AS/23. MINUTES

The Open Minutes of the Meeting held on 23rd February 2011 were taken as read, approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/24. GRANT CERTIFICATION WORK REPORT 2009/10

The Chairman welcomed Kyla Bellingall and Kate Taylor of Grant Thornton to the Meeting. Grant Thornton had submitted its Certification Work Report for 2009/10, which included an introduction and approach, together with the results of the certification work. Ms Bellingall focused on the key messages within the document, particularly around benefit claims and a number of targets that had not been met. She explained the process that the auditors had followed, leading to extrapolation of data within certain sections of the accounts. This had resulted in a qualification report that indicated a potential clawback of £158,513 on Housing and Council Tax Benefit Subsidy. A context was provided that nationally, the number of benefit related clawbacks were increasing.

The Committee discussed the process, which was being followed to determine a clearer picture on the potential clawback and the representations that were being made. There was the intention to do more work and to challenge this, proving the error was an isolated case in one cell of the accounts. Officers would respond to Grant Thornton and the Department for Works and Pensions on this matter.

Members explored the reasons for these errors, questioning why it had not been reported to a policy committee, before being identified by the auditors. Clarification was provided and it was difficult for Officers to highlight such issues until the audit report had been received. The position going forward was also explained and the intention of Northgate was to provide periodic

reports to the Finance and Management Committee. The Committee intended to ask for a progress report on this matter to either its June or September meeting.

It was also observed that there were a number of critical messages throughout this report. This was acknowledged by the Auditor, but a context was provided on the national position and the more stringent guidelines being imposed.

RESOLVED:-

(1) That the report is accepted and the proposed actions approved for implementation for 2010/11.

(2) That a further report be submitted to the earliest possible meeting of the Audit Sub-Committee, to update on the clawback position.

AS/25. **GRANT THORNTON – IFRS RE-STATEMENT REVIEW: WORK PERFORMED AS AT FEBRUARY 2011**

The Committee gave consideration to a report submitted by Grant Thornton. The audit objective of this review was to provide feedback on the Council's approach to restatement of the accounts for 2009/10 on an IFRS basis and a review of restatement work completed by the Council at the time of the review. This was to gauge the Council's level of preparedness for IFRS ahead of the 2010/11 accounts and financial statements. The Auditor's report was based on work completed as at February 2011 and further progress was highlighted within the issues log of the Auditor's report. The main issues still to be resolved related to accounting for property, plant and equipment.

In presenting the report, the Auditor confirmed there were no major concerns, but there were a few areas where it would have been preferable to be further ahead. It was again observed that this report was critical in places and the auditor clarified why the statements had been made, whilst noting that the position had moved on from February. A question was submitted about project planning and it was noted that the issues within this report had been fed into the closedown plan for the accounts.

RESOLVED:-

That the report is accepted and the proposed actions contained within it are approved for implementation in 2010/11.

AS/26. **INTERNAL AUDIT ANNUAL WORK PLAN 2011/12**

A report was submitted to provide details of the Annual Work Plan for 2011/12. This reminded of the function of internal audit, noting that work was planned in advance to ensure there was reasonable coverage of all Council activities. The strategic audit planning process comprised needs, risk and resource

assessments, culminating in the development of a long-term plan. The strategic plan was flexible and each year there was a re-assessment in risk and content terms. The report also explained how the work plan was monitored, the consultation that took place on its content and the joint working arrangements with the external auditor. The arrangements for additional capacity and specialist expertise were also provided. The report highlighted the new systems being implemented, in particular, the major Agresso (finance system) upgrade. This would see a major change in the way that the Council ordered and paid for goods and services through greater electronic processing. In addition, a new payroll system had been implemented within an off-site, shared services centre. Finally, the cash management system was due to be upgraded. These systems would be seen as a high risk until their internal control status had been evaluated.

With reference to the new finance systems, a Member questioned how the work plan was organised and the need to ensure these high-risk areas were addressed early in the programme. Following discussion, there was a consensus that this should take place and a report be submitted to an early meeting of the Sub-Committee.

***RESOLVED*:-**

That the Sub-Committee approves the Annual Work Plan for 2011/12 and that a report be brought to the June Meeting of the Sub-Committee, to give an update on the implementation of the new financial management systems.

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 2010/11.

The detail of the report provided background about the Internal Audit function and the work undertaken in the previous year by Derby City Council to cover a vacant post. The basis of this year's review was reported and in terms of conducting the review, there was a three-year cyclic approach. The review for 2010/11 was a "light touch" year and was an update of actions approved following the independent assessment in 2008/9 and the self-assessment in 2009/10. Performance reporting, joint working and the external audit review of Internal Audit were provided in further sections of this report.

***RESOLVED*:-**

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

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 4.40 p.m.