

AUDIT SUB-COMMITTEE

23rd February 2011

PRESENT:-

Conservative Group

Councillor Timms (Chairman) and Councillor Ford.

Labour Group

Councillor Shepherd.

APOLOGIES

Apologies for absence from the Meeting were received from Councillor Mrs. Patten (Vice-Chairman)(Conservative Group) and Councillor Lane (Labour Group).

AS/19. **MINUTES**

The Open Minutes of the Meeting held on 15th December 2010 were taken as read, approved as a true record and signed by the Chairman.

AS/20. **DECLARATIONS OF INTEREST**

Councillor Shepherd declared a personal interest in respect of the Summary of Internal Audit reports, relating to audit work on the Etwall Leisure Centre.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/21. **AUDIT APPROACH MEMORANDUM FOR YEAR ENDING MARCH 2011**

The Chairman welcomed Jon Roberts and Kate Taylor of Grant Thornton to the Meeting. A copy of the Audit Approach Memorandum had been circulated, which Mr. Roberts presented. The Memorandum set out the work the Auditors would carry out in discharging their responsibilities, to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money for 2010/11. The document comprised an overview of the Council's 2010/11 audit, the accounts audit, value for money audit, logistics and outputs. Appended to the document was a statement on Grant Thornton's independence and objectivity.

Questions were invited and a Member referred to the partnership contract with Northgate, how this had impacted on the internal audit arrangements and what experience of such partnerships the external auditors had elsewhere. Mr. Roberts responded that communication was important and there was a need

to document the arrangements. It was confirmed that the contract with Northgate gave both internal and external audit full access. There was also discussion about the work being undertaken for the Council by Derby City.

With regard to the accounts audit, questions were submitted on the contract monitoring arrangements with Northgate and the potential for a clawback relating to housing benefit and council tax subsidy return. These were discussed and Members felt assured by the responses provided. Reference was then made to the international financial reporting standards, on which a report would be submitted to the April Audit Sub-Committee. Mr. Roberts also referred to a section of the Audit Commission website, which was a useful resource.

A further area considered was elector challenge and Mr. Roberts confirmed Grant Thornton's experience elsewhere and enquiries with regard to the Grounds Maintenance tender. It was also questioned whether the formal accounts should be submitted to the Sub-Committee. Clarification was given on the arrangements, that the Finance and Management Committee received the accounts, but any problems would be reported to this Sub-Committee. Finally, there was discussion about the change in engagement lead.

RESOLVED:-

That the Sub-Committee accepts the report and agrees the approach set out in the Audit Approach Memorandum.

AS/22. **SUMMARY OF INTERNAL AUDIT REPORTS 2010/11 (DECEMBER – JANUARY)**

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 was submitted. This summary also included progress on the implementation of recommendations reported previously. Details were provided of the areas that Internal Audit had undertaken work on for the previous period, comprising creditors, improvement grants, treasury management, partnership, data protection and freedom of information and the Etwall Leisure Centre.

The Audit Service had given advice on control and corporate governance issues. Derby City Council's Internal Audit Service had undertaken a number of audits during this period, as part of the arrangement to supply additional resources. It was noted that the Internal Audit Service had completed 55.78% of the planned audit days up to the end of December 2010, against the target of 67%. This was lower than planned, but the work from Derby City Council had alleviated the situation. There would be some slippage of audits into the

next year and the unspecified allocations for VFM/risk related work would not be used. A more detailed analysis against the various elements of the Audit Plan was appended to the report and the Officer highlighted areas of non-audit work, which had impacted.

It was questioned whether there was a service level agreement in place for the work being undertaken by Derby City Council, which was confirmed. In response to a further question, examples were given of where progress reports were submitted on the implementation of recommendations.

RESOLVED:-

That the summary of internal audit reports be noted.

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 4.45 p.m.