

AUDIT SUB-COMMITTEE

15th December 2010

PRESENT:-

Conservative Group

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

Labour Group

Councillors Lane and Shepherd.

AS/14. **MINUTES**

The Open Minutes of the Meeting held on 29th September 2010 were taken as read, approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/15. **GRANT THORNTON: ANNUAL AUDIT LETTER 2009/10**

The Chairman welcomed Kyla Belingall of Grant Thornton, who presented the Annual Audit Letter for 2009/10. This summarised the key issues arising from the work that the external auditors had undertaken during the period. The letter covered key messages and conclusions from work on:-

- Auditing the 2009/10 year-end accounts.
- The accuracy of grant claims and returns to various Government Departments and other agencies.
- Assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.

The document included comments on the Council's financial performance and position, together with progress on key issues such as the implementation of International Financial Reporting Standards. A copy of the document had been circulated for the Sub-Committee's consideration.

RESOLVED:-

That the report is approved and that it be noted there are no issues to be referred to Council.

AS/16. **LOCAL CODE OF CORPORATE GOVERNANCE – REVIEW OF SELF-ASSESSMENT**

A report was submitted regarding the review of self-assessment document and the related action plan. A revised Local Code of Corporate Governance was adopted by the Council in 2008. At that time a self-assessment audit was carried out by Officers to provide 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 the Local Code. It stated the Council's commitment to corporate governance and explained how governance arrangements were measured. A senior officer group met on a six-monthly cycle, to assess the governance arrangements. It carried out an assessment against the CIPFA/SOLACE checklist to measure compliance with the six supporting principles. It was noted that the scoring arrangements had been reviewed and a table was included within the report showing the scores for each level of compliance. A copy of the report showing progress made in the last six months and the action plan were appended to the report. Major items that had been achieved in the last six months included implementation of the Corporate Services Partnership with Northgate. In relation to corporate governance, the creation of the Client Services Team and wider governance arrangements would ensure that the Council was able to manage effectively and monitor the contract, to sustain good performance. The governance arrangements between the Council and Northgate were a contractual requirement. There was a Strategic Partnership Board, which had the role of developing the partnership and ensuring that it gave added value to the Council.

Following the review of the risk management process, which had been in place for a number of years, both the Strategy and risk register had been embedded into the Council.

A question was submitted about the deletion of the Action Plan entry relating to the access strategy and it was noted this had now been reviewed. A Member questioned the self-assessment score on the arrangements in place for Member training and development, making reference to the departmental summer briefings provided, which were valued. Work was planned with the training champions, to look at Member development, with implementation after the District and Parish Council Elections in May 2011.

It was questioned whether Internal Audit reviewed samples of the self-assessment scores, which was not the case, given their input to the document

and there was reliance on external audit. This area was discussed together with the format of the document. A further question concerned attainment of the maximum assessment score of 5 and the cost/benefit of striving to achieve this level.

RESOLVED:-

That the Sub-Committee recognises the progress made to date in achieving the action points set out in the self-assessment of performance under the Local Code of Corporate Governance and reports to Council that there are no specific issues that need to be brought to its attention.

AS/17. **IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

It was reported that the Sub-Committee was responsible for monitoring the effective development and operation of corporate governance. A key issue was monitoring the implementation of International Financial Reporting Standards (IFRS). This was a fundamental change in accounting practice and it was important that the Council complied and made appropriate changes. A comprehensive report was submitted to the Sub-Committee in June 2010 to raise awareness and give an update on the Council's position and proposed actions.

A quarterly update was submitted at this meeting on asset valuations and restating the accounts. A further, more comprehensive report would be submitted to the Sub-Committee in February 2011.

RESOLVED:-

That the progress made to date and proposed actions to implement fully the International Financial Reporting Standards, as they apply to the Council are approved.

AS/18. **SUMMARY OF INTERNAL AUDIT REPORTS 2010/11 (SEPTEMBER-NOVEMBER)**

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.

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 33.59% of the planned audit days to the end of September, against the planned target of 45%. This was lower than planned, but it was reiterated that Derby City had commenced their work in earnest. A further update on this area would be provided to the February Meeting. An assurance was given on the completion of substantial systems audits.

RESOLVED:-

That the summary of Internal Audit reports be noted.

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 3.00 p.m.