

AUDIT SUB-COMMITTEE

14th December 2011

PRESENT:-

Conservative Group

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

Labour Group

Councillors Bell and Shepherd.

AS/13. **MINUTES**

The Open Minutes of the Meeting held on 28th September 2011 were taken as read, approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/14. **SUMMARY OF INTERNAL AUDIT QUARTERLY REPORTS 2011/12 (SEPTEMBER – NOVEMBER)**

Note: At this point, Councillor Harrison joined the Meeting and assumed the Chair.

In introducing this item, Officers explained that an element relating to procurement issues and the subsequent item on procurement of a boiler would need to be withdrawn. A full report on these matters would be made to a subsequent meeting.

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. 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 those areas that Internal Audit had undertaken work on during the previous period. The Internal Audit service had also given advice on control and corporate governance Issues. It was noted that Derby City Council's Internal Audit service was undertaking audits during this period, as part of the partnership arrangement. Statistics were provided on the audit work completed against target.

Members sought further information about certain areas of work that the Internal Audit function had been undertaking. Particularly, this concerned the

Council's cash receipting and posting systems, with clarification about the volume of payments processed, the numbers of cheques still used, cash and electronic payments. Questions were also submitted with regard to Planning and Building Control fee income. Related to this, it was planned to report to Members shortly on a Government consultation. Potentially, additional income could be generated, but there was recognition of the private sector competition for the Building Control function. Other issues discussed were the replacement financial systems and clarification was sought on some of the appended statistics.

RESOLVED:-

That the Committee receives and notes the summary of audit reports.

AS/15. **GREEN BANK LEISURE CENTRE : PROCUREMENT OF BOILER**

It was noted that this item had been withdrawn.

AS/16. **ACCOUNTS CLOSURE 2011/12: WORK PLAN UPDATE**

It was reported that, following the External Auditors Annual Report, the Sub-Committee agreed to monitor a work plan in order to ensure the Council was prepared in presenting its 2011/12 accounts in proper and timely manner. The Auditor made four key recommendations in its Annual Report, as a consequence of highlighting several issues from the audit work on the 2010/11 accounts. An analysis of the agreed actions and progress to date was appended to the report. The main action since the previous Sub-Committee Meeting was to progress an IT solution relating to accounting for capital assets. This system was predominantly an asset database, which recorded details of the Council's property holdings. Members were reminded of the current system and the difficulties experienced with the capital accounting module. There were several other asset management systems on the market, on which details were set out within the report. Consultation with other councils had confirmed that many used spreadsheets to calculate the accounting transactions required for IFRS capital accounting. It was decided to develop a bespoke spreadsheet to meet the Council's needs. A technical accountant was commissioned to develop the solution and the work was substantially complete. The system would be tested by replicating the 2010/2011 accounts and would ensure the Council was in a strong position to meet the account deadlines for 2011/12. The cost of developing and implementing the spreadsheet solution was £12,500. The report explained the work involved in producing this solution and the planned training and testing. A letter of complaint had also been sent to the Institute of Public Finance regarding the unresolved issues for 2010/11, including a request for compensatory adjustments to the current maintenance agreement. Members sought further information about the planned training to ensure competence in using and updating the new system. The Sub-Committee also reviewed the appended final accounts work plan.

RESOLVED:-

That progress on the work plan in preparation for the 2011/12 accounts closure is noted.

AS/17. **LOCAL CODE OF CORPORATE GOVERNANCE - UPDATE**

An update report was submitted on work associated with strengthening the Council's corporate governance arrangements. It was reported that the current Local Code of Corporate Governance was adopted by the Council in July 2008. It was based on best practice and provided evidence of how the Council had fulfilled or intended to fulfil its commitment to corporate governance.

The Audit Sub-Committee received 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 the approval of the Annual Governance Statement. The report provided a definition of corporate governance and the purpose of the Local Code, together with what governance arrangements were measured against.

A corporate officer group met on a six-monthly cycle to assess the governance arrangements and on an annual basis, a detailed self-assessment was undertaken. Appended to the report was the 2011/12 action plan and a summary of progress to date was also provided. A key area was Ethical Standards and the Localism Act 2011. A detailed report on this Act would be provided to the Council in January 2012.

RESOLVED:-

That progress on the action plan for 2011/12 is noted.

J. HARRISON

CHAIRMAN

The Meeting terminated at 6.50 p.m.