

AUDIT SUB-COMMITTEE

18th June 2008

PRESENT:-

Conservative Group

Councillors Atkin, Jones and Timms.

Labour Group

Councillor Shepherd.

AS/1. **APPOINTMENT OF CHAIRMAN**

RESOLVED:-

That Councillor Timms be appointed Chairman of the Audit Sub-Committee for the ensuing year.

AS/2. **APOLOGY**

An apology for absence from the Meeting was received from Councillor Lane (Labour Group).

AS/3. **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED:-

That Councillor Atkin be appointed Vice-Chairman of the Audit Sub-Committee for the ensuing year.

AS/4. **MINUTES**

The Open Minutes of the Meeting held on 23rd April 2008 were taken as read, approved as a true record and signed by the Chairman.

A Member provided a point of clarification on the previous Minutes and used an example to demonstrate the slight concerns at having to take matters on trust.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/5. **ANNUAL REPORT OF THE INTERNAL AUDIT SERVICE 2007/08**

The Sub-Committee considered the Annual Report of the Internal Audit Service, which provided Members with information on the work of Internal Audit during the past year. It provided an assurance that the Council's key financial systems could be relied upon and that a sound system of internal control existed.

The detail of the report explained the work undertaken by the Internal Audit Team and its close working relationship with the external auditors. Internal

Audit verified that financial and other systems included sufficient controls to detect error and financial irregularity. Increasingly, audit work focused on the effectiveness of computer systems that were used to administer Council finances.

In receiving the Annual Report, Members discussed the core financial control systems and particularly bank reconciliation. Officers confirmed the working relationship with external audit and explained how the work of internal audit was examined. There was a discussion on the planned audit work relating to National Non-Domestic Rates. This covered the calculation of business rates, the options for relief, how NNDR systems were examined and how customers could liaise with the department.

Members then discussed audit work on the Rosliston Forestry Centre, particularly about periodic water losses on the site. This focused on the sums of money involved, the historical problems, together with the private supply network on the site and the damage caused by tree roots. It was noted this matter was well in hand.

RESOLVED:-

(1) That the Annual Report of the Internal Audit Service be noted.

(2) That the Annual Internal Audit Assurance Statement be approved.

AS/6. **LOCAL CODE OF CORPORATE GOVERNANCE**

A report was submitted about revised advice and guidance from the Chartered Institute of Public Finance and Accounting (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) on the adoption of a revised Local Code of Corporate Governance. During 2005, the Council undertook a review of corporate governance arrangements in accordance with CIPFA/SOLACE guidance. Subsequently, the Council's scheme was adopted in August 2005. This described the principles and arrangements that would continue to be made to achieve the principles of good corporate governance.

The detail of the report provided a definition of corporate governance and explained the purpose of a local code of governance. It stated the Council's commitment to corporate governance and explained how governance arrangements were measured against six core principles, which were set out within the report. A revised local code of corporate governance, based on the core and supporting principles was submitted. A Senior Officer Group had been established, which would meet on a 6-monthly cycle to assess the governance arrangements. The Group carried out an assessment against the CIPFA/SOLACE checklist to measure compliance with the six supporting principles. This self-assessment provided the evidence of how the Council had fulfilled or intended to fulfil its commitments and a copy of the self-assessment report was also provided. It was recommended that the Standards Committee and Audit Sub-Committee receive half-yearly reports on progress in relation to compliance with the core principles. The Audit Sub-Committee would oversee and monitor arrangements for complying with corporate governance issues, including approving the Annual Governance Statement. As corporate

governance was an all encompassing concept, it would be necessary for the Council to approve, that the Leader of Council and the Chief Executive Officer would have overall responsibility for implementing the code and monitoring the Council's performance against the commitments contained within it.

A Member questioned whether the half-yearly monitoring meetings would be accommodated within the existing timetable or whether special meetings would be arranged. It was recognised that there was a broad range of topics that came under the governance framework. This document provided a baseline position and it was intended to report to meetings in six and then twelve months, to show the progress being made. It was recognised that there were constant changes, which the Council would need to keep under review. With regard to the self-assessment exercise, it was proposed to focus on those areas that had achieved the lowest score. An explanation was given of the scale used where 1-6 had been deemed unacceptable, but no such scores had been recorded as part of this review. Therefore, it was proposed to focus on those achieving a score of 7 under the self-assessment. There was some discussion about the headings used in the principles, which had been developed by CIPFA and SOLACE. It was acknowledged that some of the principles overlapped.

RESOLVED:-

- (1) That Council be requested to adopt the revised Local Code of Corporate Governance, as submitted.***
- (2) That the Audit Sub-Committee and Standards Committee undertake half-yearly reviews on progress in achieving the action points set out in the Local Code of Corporate Governance and that for the first six-monthly review, the Audit Sub-Committee focuses on those areas that had scored lowest under the self-assessment exercise.***
- (3) That Council be requested to approve, that the responsible officer for implementing the Code and monitoring the Council's performance against the commitments set out in it be the Chief Executive, in consultation with the Leader of the Council.***

AS/7. **ANNUAL GOVERNANCE STATEMENT**

A report was submitted on the Annual Governance Statement, which formed part of the Statement of Accounts for 2007/08. A definition was provided on governance and this was an area that concerned the whole authority. In recent years, it had assumed a higher profile, due to greater expectations and the need to avoid issues around financial reporting, public conduct and accountability. Authorities were required previously to produce a statement on internal control and it was considered best practice to adopt and publish a Local Code of Corporate Governance. This had been replaced by the requirement to produce an Annual Governance Statement (AGS). Appended to the report was a flow chart that set out the process for compiling the AGS, together with the document itself. The document had been produced by a cross-service working group and details were provided of its composition. This document was a formal statement that recognised, recorded and published the governance arrangements. It had to be published on an annual basis. Details were

provided of the CIPFA guidance on production and publication of the AGS, together with the work undertaken in compiling it.

An action plan would be progressed during 2008/09 and beyond to address significant issues in strengthening further the governance environment. This formed part of the AGS and details were provided of the areas included within it. The areas to be progressed had been highlighted from a review of the Local Code of Corporate Governance, considered earlier in the Meeting.

On significant governance issues, a Member referred to the action on achieving level 3 of the Equality Standard. This issue had recently been reported to the Finance and Management Committee and there was discussion about the work required to move to level 3 of the Equality Standard. Reference was made to the current review of the Housing Service and how this would be incorporated into future governance reports. Following the discussion earlier in the Meeting and at the previous Meeting, Members might wish to seek supporting evidence. This could be provided through including hyperlinks to such evidence on the Council's intranet. A further suggestion was to arrange a workshop just prior to the six monthly review and there was a consensus that this should be arranged. A Member referred to the self-assessment schedule provided as part of the preceding item. It was proposed that the lowest scoring items under this self-assessment could provide the focus for the first review.

RESOLVED:-

- (1) That Finance and Management Committee be recommended to approve the Annual Governance Statement for the year ended 31st March 2008 for inclusion in the 2007/08 accounts.***
- (2) That Finance and Management Committee be recommended to authorise the Leader of the Council and the Chief Executive Officer to sign the Annual Governance Statement.***

AS/8. **SUMMARY OF INTERNAL AUDIT REPORTS 2008/09 (FEBRUARY-MAY)**

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. 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 for the previous period. A number of investigations were being undertaken and the service had given advice on control and corporate governance issues.

A question was submitted on the frequency of bank reconciliations, which were undertaken on a monthly basis. There was discussion about the degree of weaknesses, how these were assessed systematically and the approach taken to address high risk recommendations. It was confirmed there were no serious issues arising from the three reports submitted to this Meeting. Questions were also submitted about transport financing, given recent fuel cost rises and about

the procurement of vehicles. An outline was given of the audit work undertaken on fuel stocks and controls. Budget issues from rising costs would be a matter for service managers and if necessary, supplementary estimates would have to be considered by the Finance and Management Committee. Information was sought on one of the specific audit reports regarding parish levies.

RESOLVED:-

That the summary of audit reports be noted.

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 3.50 p.m.