

AUDIT SUB-COMMITTEE

19th June 2013

PRESENT:-

Conservative Group

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

Labour Group

Councillors Dunn and Shepherd.

AS/1. **APOLOGY**

An apology for absence from the Meeting was received from Grant Thornton.

AS/2. **MINUTES**

The Open Minutes of the Meeting held on 3rd April 2013 were taken as read, approved as a true record and signed by the Chairman. Under Minute No. AS/28, it was confirmed that guidance was still awaited on the changes to Internal Audit Standards and progress on this would be reported back to the next meeting.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/3. **INTERNAL AUDIT – QUARTERLY PROGRESS REPORT**

A progress report was provided detailing the performance and activity of Internal Audit between February and May 2013. Richard Boneham took Members through the circulated document. This comprised a summary, details of audit coverage, audit performance and recommendation tracking. There was discussion around various matters contained within the report.

RESOLVED:-

That the report of the Audit Manager be received.

AS/4. **EFFECTIVENESS OF INTERNAL AUDIT**

In accordance with statutory requirements, a report was submitted to give Members an overview of the effectiveness of the Internal Audit function. There was no mandatory requirement or guidance on who should perform the review of the function and the assessment had been undertaken by the Council's Director of Finance and Corporate Services in conjunction with the Head of Governance and Assurance at Derby City Council. The assessment was based on the framework guide developed by the Chartered Institute of

Public Finance and Accountancy's (CIPFA) Better Governance Forum, which aimed to provide practical support to help make internal audit more effective. The function had been assessed against the six building blocks for effective internal audit identified in the guidance. These comprised leadership, governance and relationships, customer focus, people, systems and processes and professional standards. The assessment of the Director of Finance and Corporate Services against each of these areas was summarised within the report.

RESOLVED:-

That the Sub-Committee notes the conclusion that the Internal Audit function is considered to be effective.

AS/5. **HEAD OF INTERNAL AUDIT'S ANNUAL AUDIT OPINION 2012/13**

A report was submitted to provide Members with the Head of Internal Audit Partnership's opinion on the adequacy and effectiveness of the Council's internal control environment. There was a requirement under the 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' that the Head of Internal Audit should provide a written report to those charged with governance. This was timed to support the Annual Governance Statement. Management was responsible for the system of internal control. Internal Audit reviewed, appraised and reported on the effectiveness of the financial and other management controls. The audit opinion was based on the work undertaken in 2012/13 and in preparing the opinion, all audit activity carried out during the year was reviewed. Each audit assignment had an individual assurance rating and these were used, together with the progress on agreed actions, to help form the overall opinion.

Based on the work undertaken during the year, the overall opinion was that there was an acceptable level of internal control within the Council's systems and procedures. There were no critical risk recommendations made or adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit had undertaken in 2012/13. All of the risks raised within the internal audit reports had been accepted and Internal Audit's recommendations or proposed alternate actions have been agreed to be implemented in all but 2 cases. In these cases, management had agreed to accept the risk but not to implement any mitigating actions. Progress on implementation of audit recommendations would be reported to the Sub-Committee in future reports on the 2013/14 work of Internal Audit.

RESOLVED:-

That the Sub-Committee notes the Annual Audit Opinion for 2012/13.

AS/6. **LOCAL CODE OF CORPORATE GOVERNANCE – ANNUAL REVIEW 2012/13**

A report was considered which provided Members with the annual detailed assessment of the Council's Local Code of Corporate Governance, together with progress on the Work Plan contained in the statutory Governance

Statement. The current Local Code of Corporate Governance was adopted by the Council in 2008 and the Committee was required to review progress in relation to compliance against six core principles on which the Code was based. A definition of corporate governance was provided and the purpose of the Local Code of Governance. The Council's governance arrangements were overseen by a corporate group of senior officers. On an on-going basis, this group monitored and reviewed a detailed self-assessment, which was effectively a checklist which assessed the documents and processes, together with any other means used to measure compliance with the six supporting principles. An updated assessment, which remained largely unchanged from the previous year, was appended to the report, together with a copy of the Work Plan, which was mainly completed during the year, with a couple of areas being carried forward pending the outcome of internal restructuring and new legislation.

RESOLVED:-

That the annual assessment of the Council's Local Code of Corporate Governance for 2012/13 is approved and that progress on the Work Plan for 2012/13 is approved.

AS/7. **ANNUAL GOVERNANCE STATEMENT 2012/13**

A report was submitted on the Annual Governance Statement (AGS) for 2012/13. A definition was provided on governance and it was confirmed that this was an area that concerned the whole Authority. In recent years, it had assumed a higher profile, due to greater expectations from stakeholders and the need to avoid issues around financial reporting, public conduct and accountability. Appended to the report was a flowchart that set out the process for compiling the AGS. It also provided a framework of issues to address and report upon for assuring the Sub-Committee in respect of internal control and governance arrangements. Details were provided of the CIPFA guidance on the production and publication of the AGS, together with the work undertaken in completing it. A Work Plan, produced in June 2012, was progressed during 2012/13 to address key issues identified to maintain and strengthen the governance environment. Details of the areas achieved were included within the report. The proposed plan for 2013/14 was also detailed in the AGS, to maintain robust governance. Details were also provided of the work programme.

RESOLVED:-

- (1) That it be recommended to the Finance and Management Committee that the Annual Governance Statement for the year ended 31st March 2013 be approved for publication alongside the Statement of Accounts for 2012/13.***
- (2) That it be recommended to the Finance and Management Committee that the Leader of the Council and the Chief Executive be authorised to sign the Annual Governance Statement.***

J. HARRISON

CHAIRMAN

The Meeting terminated at 5.10 p.m.