

AUDIT SUB-COMMITTEE

22nd February 2012

PRESENT:-

Conservative Group

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

Labour Group

Councillors Bell and Shepherd.

AS/18. **MINUTES**

The Open Minutes of the Meeting held on 14th December 2011 were submitted. A correction was made to Minute No. AS/16 inserting additional text "Some Members expressed concerns that the bespoke system would not meet the Council's present and future needs". Subject to the insertion of this text at the agreed point, the Minutes were approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/19. **GRANT THORNTON – GRANTS CERTIFICATION WORK REPORT 2010/11**

The Council's External Auditor, Grant Thornton had submitted its Certification Work Report for 2010/11 in relation to grants. Members were taken through the report and had the opportunity to submit questions. The document comprised an introduction and approach, before providing the results of the certification work. This included key messages and tables showing the Council's direction of travel, in terms of performance against key certification measures and deadlines. Significant issues were drawn out within the report, on which updates were provided. Appended to the document were details of the claims and returns certified for 2010/11, together with an action plan of recommendations, the associated management responses and implementation details.

Questions were submitted on the section on the Housing and Council Tax Benefit Scheme and the impact for the Council, due to inaccurate claims and returns. Members asked about the sampling and multipliers used to determine the financial effect for the Council and it was noted that further testing could be undertaken to demonstrate a higher level of accuracy and therefore reduce the costs incurred. Officers were disappointed that performance had slipped back and there was a need to address the points raised by Grant Thornton in this document.

RESOLVED:-

That the report is accepted and the proposed actions for 2011/12 are approved.

AS/20. **GRANT THORNTON: ANNUAL AUDIT LETTER 2010/11**

Grant Thornton had submitted the Annual Audit Letter for 2010/11. This summarised the key issues arising from the work that the External Auditor had undertaken during 2010/11 and was designed to communicate key messages to the Council and external stakeholders. It had been published on the Audit Commission's website, and following the Meeting, would be published on the Council's website. The Letter covered key messages and conclusions from work on:-

- Auditing the 2010/11 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 to ensure that Value for Money was achieved.

Much of the information contained in Letter had already been reported to the Council. Since the document had been produced, a number of points were updated relating to financial performance, spending from earmarked reserves and the Housing and Council Tax Benefit Claim. Further commentary on each of these areas was set out within the covering report.

Members were taken through the Audit Letter. The section on Value for Money was highlighted, particularly in terms of the key conclusions and the basis for a qualified conclusion.

A Member asked if capacity within the Finance team had been strengthened and about the ability to meet the statutory deadlines in the future. The Officer responded, explaining the temporary cover put in place, a recent senior appointment and plans for recruitment of a further person. Reference was then made to the move to the International Financial Reporting Standards and it should be easier to achieve compliance in this area going forward.

Members explored the points set out in the covering report, relating to financial performance and the Housing and Council Tax Benefit Claim. In response to a question, the Auditor confirmed the extensive work undertaken by Council Officers to address these points. The Department for Work and Pensions had now confirmed that the original benefit subsidy claim for 2010/11 was substantially correct and the final liability had reduced to £10,000 from an initial £159,000. Reference was also made to the section of the Audit Letter on sickness absence. A report on this was due to be submitted to the next Meeting of the Sub-Committee.

RESOLVED:-

That the Annual Audit Letter for 2010/11 is received, noting that there area no issues to be referred to the Council and recognition of the work undertaken since the previous report.

AS/21. **GRANT THORNTON: ANNUAL AUDIT PLAN 2011/12**

The Council's appointed auditors presented their annual plan and approach for the year 2011/12. This set out where the Auditors would focus their activities and predominantly involved work in respect of the Council's Annual Accounts and Financial Statements, its arrangements for securing Value for Money, together with assessing the Annual Governance Statement.

Members were taken through the Audit Plan. This comprised an overview and introduction, with sections on the Accounts Audit Risk Assessment, the Auditor's approach and the Accounts Audit – other issues. The Plan also looked at the Value for Money Audit, confirmed the key contacts that would be working with the Council, the audit fee, outputs and a timeline for completion of the Plan.

In considering the report, there was discussion about the requirements to disclose heritage assets. This only related to Council-owned assets, where there was a known value to be included. There was also discussion about the likely future fee structures following the demise of the Audit Commission.

RESOLVED:-

That the Sub-Committee approves the proposed Audit Plan for 2011/12 and the approach to undertaking the audit work for the year.

AS/22. **INTERNAL AUDIT PARTNERSHIP: GOVERNANCE ARRANGEMENTS**

The Chief Finance Officer introduced Richard Boneham and Adrian Manifold of the Central Midlands Audit Partnership. An explanation was given of their respective roles and background on the formation of the Partnership, together with the organisations that were now using its services. A report was submitted regarding the Governance arrangements for the Partnership and particularly the establishment of a Partnership Board. The Sub-Committee was asked to make a nomination of Board Member and substitute to represent the Council on the Board. The detail of the report confirmed the Board's responsibility and its Terms of Reference.

RESOLVED:-

That the Chairman and Vice-Chairman of the Sub-Committee be appointed as the Council's Board representative and substitute respectively.

AS/23. **INTERNAL AUDIT: QUARTERLY REPORT AND UPDATE**

A report was provided on progress against the approved Internal Audit Plan for 2011/12. This detailed the performance and activity of Internal Audit over the year to date and in particular explained where resources were to be utilised over the remainder of the financial year. This was the first audit report since the Council became part of the Central Midlands Audit Partnership. Audit work had continued with existing staff from the Council and the wider partnership base at Derby City Council. The appended report detailed audits undertaken and work in progress. There continued to be some slippage on the overall programme and work during the transitional stage was focussing on the fundamental financial system audits required to satisfy external audit requirements. This had meant that some work on local systems, seen as low risk were being put back to compensate. However, once the new arrangements had become established full coverage would be resumed.

A detailed Audit Plan for 2012/13 would be reported at the next Sub-Committee Meeting. During this period, the Audit Plan would be refocused particularly in relation to more strategic audit work.

It was noted that the style of audit reports and approach to audit under the Partnership would be slightly different and was hoped that Members would see the benefits this brought. The Partnership had an established good working relationship with Grant Thornton and an understanding of their requirements.

Members reviewed the appendix, questioning the additional resources devoted to certain audit work and responses were duly provided. Examples were given of how future audit work would be more targeted.

Members were then taken through the audit progress report, in particular referring to the Legal and Democratic Services Election Audit and the recommendations made, of which two had not been accepted. Members sought further information on this aspect of the report, which was duly provided. There were two issues, which related to purchase orders not being raised and items of election expenditure where quotes had not been obtained. A context was provided on the low costs involved for some aspects of the elections process. Members felt that compliance with the Procedure Rules should be enforced. The Sub-Committee asked Officers to review their decision not to take on-board the audit recommendations and to resubmit this matter to the next Meeting of the Sub-Committee.

Mr. Manifold then explained the bespoke system used by the Audit Partnership to monitor the recommendations made, the deadlines for implementation and triggers within the system that highlighted when recommendations had not been implemented. There was a consensus

amongst Members that it would be useful to receive such reports at future Meetings, providing that the documents were not too weighty.

RESOLVED:-

That the Internal Audit Quarterly Report be received and the actions set out above be implemented by Officers.

AS/24. **ACCOUNTS CLOSURE 2011/12: WORK PLAN UPDATE**

It was reported that following the External Auditors Annual Report on 28th September 2011, the Sub-Committee agreed to monitor a work plan in order to ensure that the Council was prepared in presenting its 2011/12 accounts in a proper and timely manner. The Sub-Committee agreed to receive regular update reports. An analysis of the agreed actions and progress to date was detailed in an appendix to the report. The main action since the previous Meeting had been implementing a new solution to calculate the accounting entries required for the Council's capital assets.

RESOLVED:-

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

AS/25. **LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT ACT (ACCESS TO INFORMATION) ACT 1985**

RESOLVED:-

That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

GREEN BANK LEISURE CENTRE: PROCUREMENT OF BOILER (Paragraph 1)

The Sub-Committee considered a report on action taken to deal with non-compliance with the Council's Contract Procedure Rules.

GROUNDS MAINTENANCE ORDERS INVESTIGATION (Paragraph 1)

The Sub-Committee noted the outcomes of an Internal Audit investigation.

J. HARRISON

CHAIRMAN