OPEN

AUDIT SUB-COMMITTEE

27th February 2008

PRESENT:-

Conservative Group
Councillor Timms (Chairman) and Councillor Atkin.

Labour Group
Councillor Lane (Vice-Chairman) and Councillor Shepherd.

Independent Member
Councillor Mrs. Brown.

In Attendance
Councillor Mrs. Wheeler (Conservative Group).

AS/12. **MINUTES**

The Open Minutes of the Audit Sub-Committee held on 12th December 2007 were submitted. These were not accepted as a true record of the proceedings and Members discussed Minute Nos. AS/8 and AS/9. On Minute No. AS/8, the External Audit – Audit and Inspection Plan for 2007/08, an amendment was made to the final paragraph, to replace the words "if it" with "this" on the fifth line of that paragraph.

There was substantial discussion about Minute No. AS/9, The New Annual Governance Statement. Councillor Lane initially provided background from the previous Meeting, about a requested report and that the Committee's deliberations were considered outside process. He felt there had been a vote taken on this matter, which had been ignored. The Chairman invited the submission of alternate wording for this Minute. Councillor Lane was unhappy that a requested report had not been provided. From a corporate governance standpoint, he did not consider that accepting the Minutes of the previous Meeting meant that Members could not question where a requested report was.

The Chief Executive confirmed that the Minutes of the September Meeting had been accepted as a correct record. He explained that Members could ask questions to a Chairman when the Minutes were received. In particular, he referred to the Minutes of the Special Council Meeting held on 20th December, at which the Leader of the Council had given a statement. The Chief Executive confirmed how Members might raise issues of concern at either the Council Meeting, or the Sub-Committee's parent body, Finance and Management Committee.

Councillor Shepherd agreed that the September Minutes had been approved. The contention was about a requested report not being provided. The Chief Executive quoted from the previous Minutes where the Chairman had read a statement on this matter. Following a further discussion, he offered to take

Members through an audit trail of this process. Councillor Lane felt that the Monitoring Officer should be involved as this was a corporate governance matter.

Councillor Mrs. Brown felt the Minutes were incomplete and therefore inaccurate. She was concerned over the confusion caused by this matter. She referred to constitutional issues and expressed her opinion of the proceedings at the previous Meeting.

The Chief Executive responded to further points from Members, confirming that Officers could not countermand Members' instructions, but might provide procedural advice. The Officers involved were invited to express their opinion, together with other Members of the Sub-Committee. The Director of Corporate Services said that she was of the view that the original Minutes were a fair record of the decisions made at that Meeting. The Sub-Committee was asked to agree an amendment to this Minute. Following further discussion, it was agreed to insert an additional paragraph at the end of Minute No. AS/9, as follows:-

> "Members of the Sub-Committee felt that the Minutes were incomplete. There was a debate that was not recorded. In the majority, the Sub-Committee rejected the notional report and the majority of Members felt that this was discounted by the Director of Corporate Services, who exited the Meeting at this point."

AS/13. **MEMBERS' QUESTIONS**

It was reported that Councillor Lane had given notice of two questions in accordance with Council Procedure Rule No. 11, as follows:-

(1) "Can you provide the Committee with the reasoning behind the decision to place the "Lifeline provision" in Exempt (Housing and Community Services Committee, 7th February 2008) when it had previously appeared in Open (Housing and Community Services Committee, 14th June 2007). Also, how can the decision to increase the charges be applied without being ratified by Finance and Management Committee first."

The Chief Executive advised that when the issue was revisited by the Policy Committee, Officers were mindful of the sensitivity of information on commercial grounds and therefore the item needed to be considered in Exempt. Councillor Lane sought to discuss this matter further. Under the Procedure Rules, he was invited to submit a supplementary question and the Member felt that this was a matter for the Monitoring Officer.

(2) "Do we have a procedure within our governance arrangements that manages complaints from Members about Members' conduct?"

The Chief Executive replied that there was no mechanism through the governance arrangements, but there was a remedy available through the Standards Procedure. He referred to CIPFA guidance on this subject.

Note: At 5.00 p.m., Councillor Mrs. Wheeler left the Meeting.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/14. **USE OF RESOURCES – AUDITOR JUDGEMENTS 2007**

The Sub-Committee was asked to consider the Audit Commission's Use of Resources (UOR) Assessment for the Council in 2007. In addition, Members were asked to review the changes to the 2008 assessment and the potential requirements for 2009, in readiness for the new Comprehensive Area Assessment Framework.

It was reported that the UOR was an annual assessment, undertaken by the Audit Commission. It was used as one of the indicators, to judge the degree of improvements being made by an authority. The assessment focused on the importance of having sound and strategic financial management. It covered five themes, details of which were reported. Details were also provided of the scoring scale and a table showed the Council's scores over the last three years, for each of the themes within the key lines of enquiry.

The report then explained how the Council's overall score was calculated, with information on the main improvements made in 2007. An overall score of 3 was maintained. The Council had been assessed as "consistently above minimum requirements – performing well" in all categories. The Head of Finance and Property Services explained how this level of performance compared to other authorities, both in the East Midlands and nationally.

The report then addressed areas for further improvement. The Audit Commission had highlighted opportunities and these were summarised within the report. Plans were already in place to meet these opportunities, through greater use of IT systems and the implementation of a new Debt Recovery Section. In addition, several services were being reviewed and tested against procurement and efficiency principles. Value for Money was now a key theme within the Council's Corporate Plan.

The 2008 assessment was reported, particularly in terms of the new requirements introduced, which were detailed within the appended Audit Commission document. The Council would strive to achieve these requirements, but it was considered that the additional requirements for asset management would be harder to achieve. A progress report and work programme were currently being formulated, which would be reported to the Finance and Management Committee.

Finally, the report looked at the position beyond 2008. The 2008 assessment was being seen as a transition towards the New Comprehensive Area Assessment in 2009 and the report explained those areas where the Government would have a keener focus.

Councillor Atkin asked about this year-on-year assessment and how difficult it would be to achieve Level 4. Officers referred to the guidance within the report and confirmed that this assessment would continue in some form. The requirements to achieve Level 4 could be more subjective and councils would need to be exemplary and innovative. The Chairman asked that congratulations be recorded to the Officers involved, for the achievements made.

Councillor Shepherd questioned whether additional resources would be needed to achieve this level, but Officers hoped it could be achieved within existing resources. Further clarification was provided, in response to questions, about the types of issues that might be highlighted by auditors. Reference was also made to debt collection arrangements. Through restructuring, it was hoped to improve current performance and to set more stretching targets. The Director of Corporate Services explained plans for a dedicated recovery team.

Councillor Shepherd then referred to the planned programme of ethics training for staff. Officers confirmed that the Code of Conduct for staff was being promoted and existing arrangements were being formalised. Members felt it might be useful to receive information on this area. In response to a further question from Councillor Atkin, Officers explained plans to submit a Corporate Equality Plan to the next Meeting of the Finance and Management Committee.

Councillor Shepherd submitted questions on the appendix to the Auditor's report. This concerned changes to the UOR key lines of enquiry for 2008, particularly about financial reporting and asset management. Further information was provided by Officers.

RESOLVED:-

(1) That the Audit Commission's Use of Resources Assessment for the Council for 2007 be noted.

(2) That the outline requirements for the 2008 and 2009 assessments be approved.

AS/15. **SUMMARY OF INTERNAL AUDIT REPORTS 2007/08 (DECEMBER – JANUARY)**

It was reported that the Internal Audit Team undertook its work in accordance with the Council's Strategic Audit Plan. Reports and other documents were produced for many areas of audit work, detailing recommendations for improvements in internal control. Recommendations were categorised dependent upon the degree of risk identified and a summary of the reports was submitted. This included where appropriate, progress on the implementation of recommendations previously reported. During this period, Internal Audit had undertaken work on:-

- Members' Allowances
- Rosliston Forestry Centre
- Bank Reconciliation
- Transport and Vehicle Workshops
- Transport Financing
- Housing Benefits
- Land Charges
- Security

A number of investigations were being undertaken. The Team had received initial training in the use of the new Academy revenue system and given advice on the control and corporate governance issues. Statistical data was

given on the number of planned audit days completed to date and the overall target should be achieved.

Councillor Atkin reported that next year, the Overview and Scrutiny Committee planned to undertake a review of the Rosliston Forestry Centre. He questioned whether information from Internal Audit could be provided to assist this project and this was confirmed.

RESOLVED:-

That the Committee accepts the summary of Audit Reports as submitted.

AS/16. **INTERNAL AUDIT ANNUAL WORK PLAN 2008/09**

It was reported that Internal Audit was an assurance function that provided the organisation with an independent and objective opinion on the degree to which the control and governance environment supported and promoted the achievement of the organisation's objectives. It examined, evaluated and reported on the adequacy of the internal control environment.

The work of Internal Audit was planned in advance, to ensure reasonable coverage of all activities, within the resources available. The strategic audit planning process comprised needs, risk and resource assessments, which culminated in the development of a long-term plan. The current plan was approved by the Finance and Management Committee in April 2006, prior to the creation of this Sub-Committee. The plan was flexible, due mainly to its rolling nature.

Each year a work plan was produced, with progress monitored on a quarterly basis. The report explained how the annual work plan was derived from the strategic plan, adjusted for slippage, the requirements of external audit and feedback from the Corporate Management Team. It contained the time allocations used for audit work. The report explained the approach taken where the team did not have capacity or specialist expertise was required. It also gave details of the new systems implemented during the last quarter of the current financial year and how these were considered a greater risk, until assessment had been undertaken.

Councillor Atkin referred to a number of areas of the operational Audit Plan, where slippage had occurred. He sought further information on the action being taken to address this, referring initially to elections and the register of electors. The Officer explained that these were financial audits for payments made to staff involved in the processes. He explained the scoring mechanisms used that determined the relative risk. The Member referred to customer relationship management, which was identified as a "medium" risk. The Officer explained that this audit area concerned management of a computer system, which had been introduced relatively recently, hence the identified medium risk.

Councillor Lane enquired whether there were other audit work areas relating to the register of electors, given the statutory requirements. Officers confirmed that the primary focus was on payments to canvassers. Comment was also made on the risk management processes in place, which enabled the assessment of non-financial risks. Councillor Lane questioned whether

the risk register should cover all statutory areas. The Chairman then asked about the assessment of risk levels. Officers explained that through the Derbyshire Audit Group, a scoring mechanism had been agreed. In response to a related question, it was confirmed that internal audit was concerned primarily with financial issues and there were other risk areas, covered by other strategies.

There was a discussion about Freedom of Information (FOI) requests within the information technology area. There was an obligation to respond within a certain timeframe and the ability to charge for information that took longer to collate. An analysis of FOI requests was provided periodically to the Finance and Management Committee. The number of FOI requests was increasing. Officers provided further information about slippage and it was questioned whether for future reports, slippage could be highlighted.

RESOLVED:-

That the Sub-Committee agrees the Annual Work Plan for 2008/09.

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 5.35 p.m.