

AUDIT SUB-COMMITTEE

16th December 2009

PRESENT:-

Conservative Group

Councillor Timms (Chairman) and Councillor Atkin (Vice-Chairman).

Labour Group

Councillors Lane and Shepherd.

APOLOGY

An apology for absence was received from Councillor Ford (Conservative Group)

AS/15. **MINUTES**

The Open Minutes of the Meeting held on 30th September 2009 were taken as read, approved as a true record and signed by the Chairman.

AS/16. **DECLARATIONS OF INTEREST**

Councillor Shepherd declared a prejudicial interest in an aspect of the Internal Audit quarterly report, relating to the Etwall Leisure Centre, as a Member of its Joint Management Committee.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/17. **GRANT THORNTON – USE OF RESOURCES 2008/09**

The Sub-Committee received a presentation from Ian Barber of Grant Thornton, which accompanied a report on the Council's Use of Resources for 2008/09. Initially, a National context was provided on the Comprehensive Area Assessment, key changes to the Use of Resources and the emerging National picture. The key changes were reported and overall they provided a "harder test". This was demonstrated in charts showing the comparative Use of Resources scores of authorities for 2008 and 2009. South Derbyshire was now in the top 29% of authorities across the Country, having maintained an overall score of 3 under the Use of Resources Assessment.

Mr. Barber highlighted the key messages for South Derbyshire from the 2008/09 assessment and the significant progress made. Further slides

touched on the key areas for further development and achieving the Council's ambition in 2009/10 for a consistent Level 3 achievement. The presentation concluded with slides on how councils could achieve Level 4 and the next steps for South Derbyshire.

Members submitted a number of questions, relating to the roles of Grant Thornton and the Audit Commission in determining Use of Resources scores. There was discussion about measuring reduced levels of natural resources used, which was a key area for further development. Reference was made to the circulated report and a particular recommendation on delivering key outcomes, relating to working with partners. Mr. Barber gave a response and the Director of Corporate Services supplemented, with details of the partnership working and performance monitoring arrangements introduced, with key and other partners, to measure achievements. There was recognition of the Local Strategic Partnership and good partnership working within Derbyshire. A related issue discussed was the difficulty in understanding some Audit Commission statements and this was demonstrated by reference to a further key line of enquiry.

Reference was then made to the Council's ambitions to achieve a consistent Level 3 under Use of Resources. The presentation included a slide showing the likelihood of achieving Level 3 across individual areas during 2009/10. Further explanation was provided on the longer lead times to achieve certain outcomes, which had led to the reported view of Grant Thornton. Following a question about the Council's score on commissioning, there was a debate about the potential for inconsistencies between different auditors.

Reference was made to the associated action plan and the management response to this document would be submitted to the Finance and Management Committee in February 2010. The likelihood and implications associated with pursuing a Level 4 Use of Resources score were also discussed. It was noted that South Derbyshire was one of only two authorities in Derbyshire that had achieved a Level 3 score under the revised assessment. Mr. Barber was thanked for the presentation.

RESOLVED:-

That the report on the Use of Resources for 2008/09 be received and that the management response to the action plan be submitted to the Finance and Management Committee in February 2010.

AS/18. **LOCAL CODE OF CORPORATE GOVERNANCE – REVIEW OF SELF-ASSESSMENT**

A report was submitted to outline the background and process, which had led to the submission of the review of self-assessment document and action plan. The Sub-Committee was asked to consider this document and to make a report to the Council on progress. By way of background, Members were

reminded of the revised Local Code of Corporate Governance and the submission of progress reports to the Audit Sub-Committee on a six-monthly basis. The report included sections explaining what corporate governance was, the purpose of the Local Code of Governance and the Council's commitment to it. It also set out the six core principles, against which the governance arrangements were measured. Next, the report reminded of the corporate group established, which undertook an assessment against the CIPFA/SOLACE checklist, measuring compliance with the supporting principles, against a reported scale. This self-assessment provided the evidence of how the Council had fulfilled, or intended to fulfil its commitment to high standards of corporate governance. Officers had reviewed the assessment and a document was submitted, showing re-calculation of scores where these were justified. An updated action plan was also submitted, showing progress made to date against those areas where the Council had scored 8 or below under the self-assessment.

One of the major items completed in the last six months was the publication of South Derbyshire's Sustainable Community Strategy and copies of the document were circulated. This important piece of work added to the evidence base and had led to the re-evaluation of certain scores.

Members gave consideration to the documents submitted and questions were invited. A particular issue highlighted, where the self-assessment score had reduced, related to embedding risk management. Officers then outlined proposals on the process for formulating the Annual Governance Statement and to provide a draft copy of the document to Members, before considering it formally. Reference was made to the action plan and the likelihood of achieving all actions by the target date of March 2010. It was acknowledged that some areas might need to be carried forward. A particular item highlighted was the need for Members to complete their Personal Development Plans. Finally, there was discussion about the submission of the revised documents to Council.

RESOLVED:-

That the Committee approves and reports to Council progress in achieving the action points set out in the self assessment of performance under the Local Code of Corporate Governance.

AS/19. **SUMMARY OF INTERNAL AUDIT REPORTS 2009/10 (SEPTEMBER – NOVEMBER 2009)**

Note: Councillor Shepherd left the Meeting during the consideration of this item.

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. Recommendations were categorised depending upon the degree of risk identified. A summary of reports, recommending improvements to potential high-risk control weaknesses was submitted. This included where appropriate, progress on the implementation of recommendations previously reported and any related reports requested by Members. During the period, Internal Audit had undertaken work on:-

- Capital Programme and Monitoring System.
- Treasury Management.
- Trade Refuse.
- Etwell Leisure Centre.
- Gas safety regulations.
- The revised programme of Section151 financial work.
- Contract audit.

The Audit Service had also given advice on control and corporate governance issues and completed 42.5% of the planned audit days to date.

In receiving the report, Members discussed the interest rates secured on the Council's investments for this period, the potential withdrawal of cheques and the implications of this for the Council and its customers. With reference to the report's appendix, it was noted there was only one "high risk" area reported and it was questioned why the audit work did not focus on a higher proportion of "high risk" areas. Officers explained the approach to target activity based on the risk register and responded to a further question about review dates.

RESOLVED:-

That the Summary of Audit Reports be noted.

AS/20. **IMPROVEMENT PLAN FOR INTERNAL AUDIT - UPDATE**

It was reported that the Sub-Committee had approved an Improvement Plan, with the aim of developing the effectiveness of the Council's Internal Audit Service. This followed an independent review of the Service by Price Waterhouse Coopers earlier in the year. A progress report was submitted setting out proposals for addressing two fundamental areas, where Internal Audit directed its resources and efforts in the future and to develop a set of performance and reporting indicators.

Members were reminded of the background to this external review. The future direction of Internal Audit was then reported. The current audit plan was based on a risk assessment of the Council's systems and processes. Audit coverage was robust, but it had been acknowledged that there was little capacity to review corporate-wide issues and add value for the Council. It was recognised that the Council had replaced its main ICT systems in recent years, which had impacted on the work of Audit, to ensure satisfactory internal control was maintained.

The allocation of current Audit resources was based on an established risk assessment model. Following the external review and using research from other authorities, it was clear that audit work should be focused more on the key risks facing the Council. The proposed principles to be adopted in formulating the Audit Plan for 2010/11 were summarised within the report. Based on this, the draft Plan would be reported to the Committee in February 2010.

Audit reporting and performance was then considered and reference was made to specific points highlighted in the Internal Audit Improvement Plan, that was appended to the report.

RESOLVED:-

- (1) That the principles for formulating the Audit Plan for 2010/11, on a risk-based approach are approved.***
- (2) That the reporting templates and suite of performance indicators as detailed in appendices to the report are approved for implementation from 2010/11.***

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 5.45 p.m.