

AUDIT SUB-COMMITTEE

24th February 2010

PRESENT:-

Conservative Group

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

Labour Group

Councillors Lane and Shepherd.

AS/21. **MINUTES**

The Open Minutes of the Meeting held on 16th December 2009 were taken as read, approved as a true record and signed by the Chairman.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/22. **GRANT THORNTON – AUDIT APPROACH MEMORANDUM**

The Chairman welcomed Kyla Bellingall of Grant Thornton, who presented the Audit Approach Memorandum to Members. The document included sections on financial statements, Use of Resources, grant claims, logistics and the small print. Members were invited to submit questions.

On Financial Statements, relating to key national audit matters, a Member referred to the section on the economic climate and specifically, the level of the Council's general reserves, seeking feedback on this from the auditor. Grant Thornton's remit was confirmed and Officers spoke about the report submitted to the last Finance and Management Committee and a related presentation, which could be supplied to Members of the Audit Sub-Committee. Further information was provided on the current budget situation.

Reference was then made to the Statement of Recommended Practice (SORP) for 2009 and Officers confirmed the substantial guidance provided by CIPFA each year on the SORP. There was a dialogue with external audit to ensure that this guidance was interpreted correctly and the importance of this guidance for senior finance staff was recognised. Related to the earlier point on General Fund balances, a similar point was made about Housing Revenue Account balances. A question was submitted to the auditor about asset valuations generally and the potential reduction of values through such things as mineral rights. An undertaking was given by Officers to provide background to the auditor outside the meeting and the points raised would be taken into account. The collection of bad debts was discussed, including the establishment of a debt recovery team and improved collection rates.

Reference was then made to the section on estimated claims and specifically the disclosure on Council Tax Benefit income. It was acknowledged that the reporting threshold was quite low and a context was provided on the amount of monies involved. A further issue raised was public perception.

Next, reference was made to the Corporate Services partnering project. Information was provided on how reports would be submitted to Members, the arrangements for future audit and the external support that had been used in undertaking this process. The auditor's report also referred to plans for a new Council Depot. There was discussion about the potential for financial misstatements relating to transactions, because of the timescales involved in this project.

Next, the report covered the International Financial Reporting Standards (IFRS). In response to a Member's question, clarification was provided on the timescales for moving to IFRS and ensuring the Council's compliance. It was noted that the Council had no private finance initiative schemes, which was one of the key issues under the new arrangements.

A question was also submitted on the logistics section of the report and an explanation was provided by the auditor.

RESOLVED:-

That the Audit Sub-Committee receives and accepts the report from Grant Thornton on the Audit Approach Memorandum.

AS/23. **INTERNAL AUDIT STRATEGIC PLAN 2010/15 AND WORK PLAN FOR 2010/11**

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 process involved professional judgements on a number of reported areas. The report also covered the needs assessment, which identified all areas of the Council's activities that needed auditing, risk assessment process and the resource assessment. The plan was flexible, primarily due to its rolling nature. However, there might be times when the team did not have capacity or specialist expertise was required to undertake certain audits. The report also covered the consultation on the internal control framework, joint-working

arrangements with the external auditors and time allocations for systematic audit programmes or for audit work.

The 2006-10 Strategic Plan concentrated on the financial systems, whereas the 2010-15 Plan sought to look more at governance and value for money issues.

Each year, a work plan was produced with progress monitored on a quarterly basis. The annual work plan was derived from the Strategic Plan, it was adjusted for slippage and other priorities.

Appended to the report were the Strategic Audit Plan 2010-15 and Annual Work Plan for 2010/11. There was discussion about the factor assessment used to determine the relative levels of risk for audit work areas. An example was used to show how this worked in practice. A Member questioned how the Sub-Committee could be assured on the accuracy of this process, to which explanation was provided.

With regard to the refuse collection service, it was questioned whether the audit frequency should be increased, given the potential for a change in the way that this service was delivered. Presently, there were no detailed proposals for a review of this service area. However, there was flexibility within the Audit Plan, to allow for responsive work on any identified areas. Next, reference was made to IT disaster recovery and a Member questioned whether this should be a high-risk area. A response was provided on how this audit area had been reassessed, confirming that all computer data was “backed up” and stored off-site, so that files could be recreated in the event of a disaster. Further questions were asked with regard to the risk level on corporate partnering and about the number of audit days for work on material and other audits.

RESOLVED:-

- (1) That the Committee approves the Strategic Audit Plan for the period 2010/15.***
- (2) That the Committee agrees the Annual Work Plan for 2010/11.***

AS/24. **SUMMARY OF INTERNAL AUDIT REPORTS 2009/10 (DECEMBER – JANUARY)**

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. However, there were no reports during the period that met the reporting criteria. During the period, Internal Audit had undertaken work on:-

- Etwall Leisure Centre

- Gas Safety Regulations
- Growth Point – Derby City
- The programme of Section 151 financial work
- Contract Audit

The Audit Service had also given advice on control and corporate governance issues and completed 64.84% of the planned audit days to the end of December 2009. A more detailed analysis against the various elements of the Audit Plan was attached as a further appendix. In response to a Member's question, there was discussion about the new monthly cheque requisition system, which had been reduced in terms of its risk rating after the audit work.

RESOLVED:-

That the Summary of Audit Reports be noted.

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 5.30 p.m.