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To The Chairman and Members of the Audit Committee

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All other Members of the Council – for information

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Date 20 June 2011

AGENDA SUPPLEMENT

Dear Sir/Madam

AUDIT COMMITTEE - FRIDAY 24 JUNE 2011

I refer to the agenda for the above-mentioned meeting and enclose the following items:

Item No	Report Title	Page Nos
1.	<u>Minutes</u> To confirm the minutes of the meeting held on 10 June 2011.	94 - 100
11.	<u>Work Programme</u> A revised copy of the Committee's Work Programme is attached. Please ignore the one sent previously with the Agenda. The Committee is asked to consider whether any additions, deletions or amendments to the programme are required.	101

Yours faithfully

Julie Britton

Senior Committee Officer

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BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 10 June 2011 at 10.00 am in
Norfolk Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Lady Fisher	Mr C.R. Jordan (Chairman)
Mr M A Wassell	Mr R.G. Kybird (Vice-Chairman)
Mr R.P. Childerhouse	

Also Present

Mr K. Stevens	Mr T. Ludlow
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In Attendance

Kevin Sharman	- Audit Manager
Leah Mickleborough	- Deputy Audit Manager
Robert Murray	- District Auditor, Audit Commission
Alison Chubbock	- Accountancy Manager
Julie Britton	- Senior Committee Officer

Action By

30/11 MINUTES (AGENDA ITEM 1)

The Minutes of the meeting held on 25 March 2011 were confirmed as a correct record and signed by the Chairman.

31/11 APOLOGIES (AGENDA ITEM 2)

Apologies for absence were received from Cllr Terry Jermy and Sandra King.

The Chairman asked that on behalf of the Committee best wishes be sent to Sandra for a speedy recovery.

32/11 DECLARATION OF INTEREST (AGENDA ITEM 4)

Lady K Fisher declared an interest in agenda item 6 which referred to land owned by the Crown Estate of which her husband had a business interest.

33/11 DRAFT STATEMENT OF ACCOUNTS (AGENDA ITEM 6)

The Accountancy Manager presented the draft un-audited Accounts and updated the Committee on changes which had been made to take account of the amended Accounts and Audit Regulations 2011.

To continue the Council's good practice, the draft was presented to the Audit Committee to enable comments and challenge from the Committee Members. It also allowed an update to be provided on the significant changes brought about by the introduction of International Financial Reporting Standards (IFRS). With this in mind, Members were asked if they wanted to continue to receive the draft Statement of Accounts in

June in future.

The Accountancy Manager brought to the attention of the Committee the main variances over the previous year and the major changes to the Council's accounts as a result of the IFRS (see paragraph 3.2.2 of the report).

The Movement in Reserves was a brand new Statement that showed the movement in the year on the different Reserves held by the Council. The bottom line of the Movement in Reserves Comprehensive Income and Expenditure Statement highlighted the balance of where the Council was at as of 31 March 2011. Members were informed that although the Capital Receipts showed a balance of zero, there was still approximately £12m Capital Funding available held in investments rather than in Capital Receipts.

The Committee made a detailed examination of the Statement of Accounts, during which the following matters were discussed:

Corrections to the Explanatory Foreword, first sentence to read "...needing to find an efficiency *saving*...", and the penultimate paragraph central should have a capital 'C'. Still under the Explanatory Foreword, it was explained that the major statutory functions had been marked to follow as these referred to the new management structure with South Holland, the joining of St Edmundsbury Council with ARP and the bus station in Thetford which had not been finalised. In response to a question as to whether the Council was expecting any Material Events after the Reporting Date, Members were informed that nothing was expected at the moment but the reporting date was not until the end of June.

The Assistant Financial Director, who was not in attendance, would be asked to respond to a Mr Kybird who questioned the Post Employment Benefits under the heading Core Financial Statements. The set up of the Notes to the Core Financial Statements was explained.

Mark
Finch

Mr Kybird felt that the Statement of Accounts was not clear to the reader particularly in relation to the brackets and asked whether explanations could be included on the relevant pages.

Alison
Chubbock

In response to a question as to what was meant by non-distributed costs, Members were informed that the figure of £8,158m was the first time it had appeared in the Income and Expenditure Statement as it was a credit from the pension fund based on CPI not RPI.

Another question related to the meaning of a Non-Usable Reserve. It was explained that this Reserve was similar to the Revaluation Reserve which could not be used. however, if the property was sold the monies would be put into Capital Receipts which could then be spent.

Mr Kybird asked if a statement could be included in the explanatory foreword about what had been delivered thus far through the Moving Thetford Forward Board.

There was some discussion about the reconciliation of figures to the Comprehensive Statement which Mr Ludlow felt should be explained in

Action By

the notes with the breakdown. The Accountancy Manager said that she would look into this.

RESOLVED that:

- 1) the draft un-audited Statement of Accounts for 2010-11 be noted subject to the amendments/additions referred to above; and
- 2) the Audit Committee continue to receive the draft un-audited Statement of Accounts in June each year.

RECOMMEND to Council that:

- 1) the policy to contribute revenue grant income received without conditions but not yet spent into the Revenue Grants Receipts in Advance Reserve be adopted;
- 2) the New Homes Bonus received in 2011-12 be contributed into the Organisational Development Reserve; and
- 3) the below budget revenue outturn of £400k be contributed into the Organisational Development Reserve.

34/11 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT FOR 2010/11 (AGENDA ITEM 7)

The Deputy Audit Manager presented the report which sought to confirm that proper arrangements had been made to comply with the statutory requirements and to present evidence to the Committee that the system of Internal Audit at Breckland Council was effective, and that the assurances provided in the Internal Annual Report and Opinion could be relied upon for presentation in the Annual Governance Statement.

The review had been attached at Appendix 1 to the report and essentially benchmarked the service against a range of seven measures. Although the range of measures had not altered from the previous year, Members were asked to note that the style and format of the report had been revised to be more succinct and concise.

RESOLVED that the findings of the Review be noted and taken into consideration when receiving Internal Audit's Annual Report and Opinion, and the Council's Annual Governance Statement.

35/11 END OF YEAR REVIEW OF THE CURRENT STATUS OF AGREED AUDIT RECOMMENDATIONS (AGENDA ITEM 8)

The Deputy Audit Manager presented the report which informed Members of the progress made in implementing audit recommendations due at 31 March 2011.

The status of audit recommendations were reported to the Audit Committee every six months, the last report presented had been in January 2011.

There had been a significant decrease in the proportion of

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recommendations that had been implemented in the period and therefore, this report was not quite so positive. The primary reason was as a result of changes in management areas of responsibility following the recent shared services restructure. Further to this, in some cases, Managers had re-appraised initial responses in light of the ongoing financial pressures within local Government. The affects of all these changes were highlighted at Appendix 2 of the report.

On Appendix 2, under the heading Strategic Service Area, Mr Kybird wanted to know why the rating for approvals and delegations for decision making had been marked as 'high'. The Deputy Audit Manager explained that this related to who signed off the planning consents. This now sat with the new Planning Manager since the re-structure. Mr Kybird felt that a legal definition should be agreed at Full Council to change the delegation for sign off of such applications.

Robert
Walker

Joint arrangements were also discussed and it was felt that an early meeting concerning Audit arrangements should be held between the two authorities to highlight these concerns.

The Chairman pointed out that he had asked the Leader of the Council if he thought performance would be affected by the new joint structure and was informed that it would not be known until the arrangements had been embedded in.

Lady K Fisher informed the Committee that she still had a number of planning enforcement issues in her Ward that had not been addressed.

Mr Ludlow said that he would like to see how long the outstanding recommendations were overdue. Also, referring to Appendix 2 in relation to the revised deadlines that had since passed, Mr Ludlow asked if there were notes to highlight where the Council was at now. In response, the Deputy Audit Manager explained that unfortunately these audit recommendations were only reported every six months and could only be revised when the report was due to be written which, in this case, was every six months. She pointed out, however, that all the information had been taken from the Council's Performance System and the style of information could be changed.

RESOLVED to note that only limited progress had been possible in implementing audit recommendations due at this stage.

The Committee asked that its concerns on audit arrangements between the two authorities be registered.

36/11 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2010-11
(AGENDA ITEM 9)

The Deputy Audit Manager presented the report which provided the Audit Committee with the outcomes of Internal Audit work undertaken in 2010/11, including an annual opinion, in order to inform the Council's Annual Governance Statement.

The audit work carried out throughout the year was summarised and the key points to note were highlighted.

Action By

One of the main responsibilities placed on an Officer responsible for the internal audit service was to provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment. On the basis of the audit work undertaken during 2010/11, internal audit's opinion was that the Council's internal control environment was **adequate** in accordance with the definitions at Appendix 4 of the report. However, there were matters arising from internal audit work which required consideration for inclusion in the Annual Governance Statement (see paragraph 3.6.1 of the report).

Mr Ludlow asked what the status was on the outstanding recommendation in relation to the Audit review of Housing and Council Tax Benefit. The Deputy Audit Manager explained that this recommendation was no longer outstanding as it had been completed since the report had been written.

RESOLVED that:

- 1) the Annual Report and Opinion for 2010/11 be received and noted;
- 2) it be noted that the overall opinion of the internal control environment were adequate during 2010/11; and
- 3) it be noted that there are matters arising from internal audit work which required consideration for inclusion in the Annual Governance statement for 2010/11.

37/11 ANNUAL AUDIT FEE LETTER (AGENDA ITEM 10)

The District Auditor for the Audit Commission presented the Annual Audit Fee letter for 2011/12.

As the scope of the audit work had changed, the 2011/12 scale of fee would be reduced by 5%. Further to this, and subject to affordability, the Commission was also looking to make additional rebates to Councils; however, no further details were available about this particular rebate until the Secretary of State decided upon the Audit Commission's future.

The Chairman said that the Audit Commission's future was still unclear nationally. Members were informed that a letter had been received from Sir Bob Kerslake stating that a decision would be made on the future of local audit by no later than 27 June 2011.

RESOLVED that the Annual Audit Fee Letter 2011/12 be noted.

38/11 WHISTLE BLOWING POLICY (AGENDA ITEM 11)

Members were informed that this item had been deferred from the previous meeting as the Policy itself had been inadvertently omitted from the Agenda.

The Whistleblowing Policy was last reviewed and approved by Council in 2008. It had subsequently proved timely to revisit the arrangements in place, in conjunction with a review of the Counter Fraud Strategy and the formulation of a new Anti Money Laundering Policy to ensure that existing and new Policies/Strategies were fully aligned and appropriately

supported the ongoing development of the Council's anti fraud and corruption culture.

The Policy had been reviewed by the Joint Consultative Committee, the Standards Committee and the General Purposes Committee prior to submission to the Audit Committee for its approval.

Mr Ludlow had noticed that throughout the Policy it made reference to the Audit Commission which might not exist in future and asked if these references should be changed; otherwise, in his opinion, the body of the Policy was sound. The Deputy Audit Manager felt that such changes should be held in abeyance until further information from the Audit Commission had been received. The District Auditor agreed that it would be premature to change the Policy at this stage. He pointed out that the risk was relatively low as the Commission would continue in some form and would not be abolished altogether, if at all, until September 2012.

The Chairman felt that any successor body changes could be delegated to Officers. He further felt that this Policy should be kept under review if the Audit Commission did indeed change.

Mr Kybird asked if the Council offered this Policy to Town and Parishes as a document to adopt as he felt that it should be made available to those at a lower level. As a Town Councillor he had not heard of the Whistleblowing Policy and felt that it would be a good idea to approach the aforementioned bodies and ask them if they would like a copy. It was agreed that this question would be put to the next Town & Parish Council Forum.

Referring to the Policy itself, under the heading assurances to third parties, it was asked whether copies of the Whistleblowing Policy were given to the Council's contractors. Mr Ludlow presumed this would be part of the procurement process where contractors should be asked to sign a disclaimer stating that they had read and would adhere to all Breckland Council's Policies.

It was agreed that this matter would be investigated.

RESOLVED that:

- 1) the Whistleblowing Policy be approved, subject to review if the Audit Commission changed; and
- 2) further investigation be made into whether the Council's contractors signed a disclaimer to adhere to all relevant Policies (this would only apply to contracts that exceeded £75,000 where tenders were invited).

39/11 WORK PROGRAMME (AGENDA ITEM 12)

An updated work programme had been attached to the agenda; however, it was noted that:

- the Annual Treasury Management Performance would be moved to the September meeting.
- a progress report and follow up of the status of outstanding Audit

Action By

Rory
Ringer,
Teresa
Smith

Mark
Finch

- recommendations would be added to the November meeting; and
- the Annual Audit Letter 2009/10 under the meeting date 3 February 2012 be changed to read 2010/11.

Mr Kybird asked that the Annual Governance Statement which was being considered at the next meeting, could make specific reference to the governance of the Moving Thetford Forward Board.

Action By

Mark
Finch

40/11 NEXT MEETING (AGENDA ITEM 13)

Arrangements for the next meeting on 24th June were noted.

The meeting closed at 11.00 am

CHAIRMAN

BRECKLAND COUNCIL AUDIT COMMITTEE REVISED DRAFT WORK PROGRAMME

Meeting Date	Agenda Item	Officer Responsible
30-Sep-11		
	Annual Governance Report	Audit Commission
	Statement of Accounts - formal approval	Assistant Director, Finance
	Audit Committee Self Assessment Exercise and Action Plan	Head of Internal Audit
	Annual report on Treasury Management Performance	Assistant Director, Finance
	Quarter 1 Governance Report Risks	Governance & Performance Accountant
	Capita Symonds Service Delivery Plan	Assistant Director, Commissioning
25-Nov-11		
	Estimates 2012/13	Assistant Director, Finance
	RevActive project risk monitoring report	Head of Economic Development
	Progress Report and Follow up of the Status of Outstanding Audit Recommendations	Head of Internal Audit
	<i>Private meeting between Audit Committee and internal and external audit managers - to be arranged outside of the meeting agenda</i>	
	Treasury Management Mid-year Report	Assistant Director, Finance
03-Feb-12		
	Annual Audit Letter 2010/11	Audit Commission
	Treasury Management Policy and Strategy	Assistant Director, Finance
	Internal Audit Terms of Reference, Code of Ethics, Audit Strategy, Strategic and Annual Audit Plans and Summary of Internal Audit Coverage for 2010/11	Head of Internal Audit
	Quarter 2 Governance Report Risks	Governance & Performance Accountant
25-Mar-12		
	Audit Opinion Plan 2011/12	Audit Commission
	Quarter 3 Governance Report Risks	Governance & Performance Accountant
	RevActive project risk monitoring report	Head of Economic Development
	<i>Private meeting between Audit Committee and internal and external audit managers - to be arranged outside of the meeting agenda</i>	
Jun-12		
	Annual Review of the Effectiveness of Internal Audit for 2011/12	Head of Internal Audit
	End of Year Review of the Current Status of Agreed Audit Recommendations	Head of Internal Audit
	Annual Report on Internal Audit Activity 2011-12	Head of Internal Audit
	Annual Governance Statement for 2011/12	Assistant Director, Finance
	Draft Statement of Accounts	Assistant Director, Finance
	Annual Audit Fee Letter	Audit Commission
	Annual Report of the Audit Committee	Chairman of Audit Committee in conjunction with the Head of Internal Audit
	Annual report on Treasury Management performance	Assistant Director, Finance
	Service Team Plans and Strategic Risk Registers	Governance & Performance Accountant
	Quarter 4 Governance Report Risks	Governance & Performance Accountant