

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Wednesday, 11 June 2008 at 10.00 am in
Anglia Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr M. Fanthorpe
Mr C.R. Jordan (Chairman)

Mr R.G. Kybird

Also Present

Lady Fisher

In Attendance

Anita Brennan	- Strategic Housing Manager
Mark Finch	- Chief Accountant
Trevor Holden	- Chief Executive
Sharon Jones	- Operations Manager
Sandra C. King	- Head of Internal Audit
Richard Kirk	- Interim Environmental Health Manager
Tim Leader	- Deputy Chief Executive
Niall Perry	- Interim ICT Manager
Susan L. Smith	- Senior Accountant
Elaine Wilkes	- Senior Member Services Officer

16/08 MINUTES

The minutes of the meeting held on 25 March 2008 were confirmed as a correct record and signed by the Chairman.

Some comments and questions on the minutes received from Mr. P. Hewett were circulated at the meeting and it was agreed that written answers would be provided and circulated to members.

17/08 APOLOGIES

Apologies for absence were received from Mr. P. Hewett and Mr. R. Childerhouse.

18/08 NON-MEMBERS WISHING TO ADDRESS THE MEETING

Lady Fisher, Executive Member for Governance, was in attendance.

**19/08 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2007-08
(AGENDA ITEM 6)**

The Head of Internal Audit presented the report and explained that the purpose of the report was to satisfy the requirements of the Accounts and Audit Regulations 2003, the Accounts and Audit Regulations (Amendment) (England) 2006 and the Head of Internal Audit's annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the

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United Kingdom 2006. As required under the Code, the report informed members of the following matters:

- a) An opinion on the overall adequacy and effectiveness of the organisation's control environment.
- b) Any qualifications to that opinion, together with the reasons for the qualification.
- c) A summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies.
- d) Any issues particularly judged to be relevant to the preparation of the Annual Governance Statement (formerly Statement of Internal Control).
- e) A comparison of the actual work undertaken with the planned work, with a summary of the performance of the internal audit function against its performance measures and targets.
- f) Compliance with the Standards of the Code.
- g) Results of the internal audit quality assurance programme.

The Head of Internal Audit highlighted the fact that there had been a change of contractor during the year, with Deloitte and Touche Public Sector Internal Audit Ltd. appointed to replace Bentley Jennison Risk Management Ltd. As a result the report covered the work of these two separate contractors. The background to the change of contractors was given. It was noted there had been problems with the issue of audit reports and during the takeover period by the new contractor but that the situation was rapidly improving. Outstanding final audit reports relating to 2007/08 reviews were expected to be completed by the end of Quarter 1 of 2008/09, following which there would be intensive input to audit planning to ensure Quarter 1 and 2 scheduled reviews for 2008/09 were progressed without further delay.

On the basis of the internal audit work undertaken in 2007/08, the opinion given on the overall standards of internal control was that these were adequate for the year ended 31 March 2008 and hence accorded with proper practice.

A substantial assurance was given that the Council's corporate governance framework complied with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

The Council's risk management systems were judged adequate during 2007/08. It was noted that this area would be enhanced from further work to be undertaken in the coming year as part of the review of the Risk Management Strategy and in regard to staff training.

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So far as the audit work undertaken during 2007/08 was concerned, there had been changes to the planned programme, details of which were noted. These included additional ad hoc audits as well as the deletion of other work.

A member asked how the varying levels of assurance given in the audit opinions would relate to the Council's ratings under the Comprehensive Performance Assessment (CPA). It was explained that the substantial and adequate assurance levels were positive opinions but that CPA ratings were derived from a number of assessments, of which internal audit was just one area. However, endorsement and implementation of high and medium level recommendations would serve to increase the Council's performance for CPA purposes.

A list of comments and questions on the report received from Mr. P. Hewett were circulated at the meeting and it was agreed that written answers should be provided and circulated to members.

RESOLVED to

- (1) receive and note the Annual Report of the Head of Internal Audit;
- (2) note the overall standards of internal control and risk management were adequate during 2007/08;
- (3) note that a substantial assurance has been given in respect of corporate governance arrangements for the year ended 31 March 2008;
- (4) note that the adequate opinion on internal control and risk management is reflected in the Council's Annual Governance Statement for 2007/08, as subsequently presented to the Committee (minute 21/08 below refers);
- (5) note that the substantial opinion with regard to corporate governance arrangements additionally needs to be acknowledged in the Council's Annual Governance Statement for 2007/08, as subsequently presented to the Committee (minute 21/08 below refers);
- (6) written answers be provided and circulated to members as soon as possible to the questions submitted by Mr. Hewett.

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Mark Finch,
Sandra C.
King

20/08 FOLLOW-UP OF AGREED ACTIONS ARISING FROM FINAL AUDIT REPORTS ISSUED IN 2006/07 AND 2007/08 (AGENDA ITEM 7)

The Head of Internal Audit presented the report which provided an overview of the status of agreed actions arising from audits performed during 2006/07 and 2007/08, implementation or otherwise of audit recommendations by management and an

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analysis of the extent of outstanding agreed actions in existence, partially completed actions or awaiting action by the agreed target dates and those where the expiry date is still in the future.

This was the first report on follow-up of agreed actions arising from final audit reports and feedback on the content and outcomes of the report was invited.

A total of 42 recommendations had been made, 12 of which had not been accepted by management, details of which were given.

Overall, 116 actions had been fully implemented, 58 were agreed but awaiting reports and 35 were outstanding.

Members welcomed the report, which was felt to be useful. However, members sought clarification on what appeared to be contradictions between management performance rated as good and criticisms of related services.

The Chief Accountant explained that the reasons for this arose from the fact that some areas of audit covered very large systems, for example revenues and benefits, and therefore these were broken down into different audit areas. There were a number of controls to ensure adequate systems and processes were in place and the report would draw out instances where, perhaps, these were not so strong. The report provided a summary of the position.

The Deputy Chief Executive added that governance was concerned with good, strong processes, which should result in a good service. To achieve this, it was necessary to investigate all elements of service delivery. However, he felt that in the light of the comments made, this was a general issue which could be looked into.

RESOLVED that the Committee notes the overall position regarding agreed actions arising from audit reviews.

21/08 ANNUAL GOVERNANCE STATEMENT (AGENDA ITEM 8)

The Chief Accountant presented the report, which informed members of action taken to develop and comply with a local code on corporate governance and sought approval of the Annual Governance Statement for inclusion in the Council's published financial accounts for 2007/08.

Under new arrangements, the Annual Governance Statement replaced the former Statement on Internal Control and had been produced in line with the new framework and guidance issued by CIPFA/SOLACE.

Appendix A to the report set out the self-assessment review checklist and improvement plan as required in line with the adopted Code of Governance.

It was noted that Internal Audit had given a substantial assurance

opinion on the Council's governance arrangements and that internal controls and risk management arrangements were deemed to be adequate.

A list of comments and questions on the report received from Mr. P. Hewett were circulated at the meeting and it was agreed that written answers should be provided and circulated to members.

RESOLVED that

- (1) the Committee notes the self-assessment review;
- (2) written answers be provided and circulated to members of the Committee as soon as possible to the questions submitted by Mr. Hewett; and

RECOMMEND to Full Council that approval be given to the Annual Governance Statement when it considers the Statement of Accounts.

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Mark Finch

22/08 RISK MANAGEMENT UPDATE (AGENDA ITEM 9)

The Senior Accountant reported that during 2007/08, the Council had worked to embed a new Risk Strategy within the organisation, which now required updating to fit with the current processes and procedures and refining the reporting line. It also needed to recognise the role of this Committee in the process.

Accordingly, a new draft Risk Strategy had been produced for consultation and would be issued well in advance of the Committee's next meeting, when comments and any changes to the Strategy would be reported.

In this connection, the Deputy Chief Executive confirmed that the review of the Risk Strategy would address the first of the two recommended enhancements referred to in the Head of Internal Audit's annual report on risk management systems (agenda item 6, paragraph 3.7.1, page 13 refers). So far as the second issue of skills was concerned, this would be addressed by the review of the Finance team to be carried out by the new Assistant Director (Governance).

RESOLVED that the position is noted.

23/08 DRAFT STATEMENTS OF ACCOUNTS (AGENDA ITEM 10)

The Chief Accountant reported that he was unable to present the draft Statement of Accounts at this time as the reconciliation process had not yet been finalised.

RESOLVED that a special meeting* of the Committee be convened as soon as possible prior to the Council meeting on 30 June 2008 to enable the Committee to consider and make a recommendation on the Statement of Accounts for the Council's consideration.

Mark Finch

*Consideration to be given to an evening meeting if necessary to facilitate attendance by as many members of the Committee as possible.

24/08 FUTURE MEETINGS (AGENDA ITEM 11)

RESOLVED that the following timetable of meetings for the remainder of the year be agreed:

- 24 September 2008
- 12 November 2008
- 07 January 2009
- 11 March 2009

25/08 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972 the Press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

26/08 APPENDIX 3 TO THE ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2007-08 (AGENDA ITEM 13)

A list of comments and questions on the report received from Mr. P. Hewett was circulated at the meeting and it was agreed that written answers should be provided and circulated to members.

RESOLVED that written answers to the submitted questions be provided and circulated to members as soon as possible.

27/08 APPENDICES TO FOLLOW-UP OF AGREED ACTIONS ARISING FROM FINAL AUDIT REPORTS ISSUED IN 2006/07 AND 2007/08 (AGENDA ITEM 14)

In response to questions, the Committee was advised of work being undertaken as part of the review of business continuity and IT disaster recovery plans and policies. It would be possible to provide members with further information on progress towards the end of the month.

A list of comments and questions on the report received from Mr. P. Hewett was circulated at the meeting and it was agreed that written answers should be provided and circulated to members.

RESOLVED that written answers to the submitted questions be provided and circulated to members as soon as possible.

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The meeting closed at 11.07 am

CHAIRMAN