

BRECKLAND COUNCIL

At a Meeting of the

AUDIT COMMITTEE

**Held on Friday, 12 June 2009 at 10.00 am in
Anglia Room, Conference Suite, Elizabeth House, Dereham**

PRESENT

Mr C.R. Jordan (Chairman)	Mr D.S. Myers
Mr R.P. Childerhouse	Mrs L.H. Monument
Mr R.G. Kybird	

In Attendance

Robert Barlow	- Assistant Director (Governance)
Chris Brooks	- Governance and Performance Accountant
Alison Chubbock	- Accountancy Officer
Mark Finch	- Head of Finance
Sandra C. King	- Head of Internal Audit
Kevin J Taylor	- ICT Manager
Elaine Wilkes	- Senior Member Services Officer

22/09 MINUTES

The minutes of the meeting held on 13 March 2009 were confirmed as a correct record and signed by the Chairman.

23/09 APOLOGIES

An apology for absence was received from Mr. M. Fanthorpe.

24/09 NON-MEMBERS WISHING TO ADDRESS THE MEETING

Lady Fisher, Executive Member (Governance) was in attendance.

25/09 ANNUAL REPORT OF THE AUDIT COMMITTEE (AGENDA ITEM 6)

The Head of Internal Audit presented the annual report of the Committee which was required under its terms of reference.

The report summarised the work of the Committee during the last year and confirmed that the Committee had operated in accordance with its terms of reference and had complied with best practice. The Committee had also demonstrated effective challenge to current practice.

The Head of Internal Audit stated that there had been good attendance at meetings and that there had been a positive approach to the work of the Committee.

The Committee had undertaken good, challenging work, particularly in regard to the area of Partnerships.

Risk management reviews had been proactive, with regular updates, policies had been revised and Members provided with access to the performance management system.

Action By

In depth work had also been carried out on the Treasury Management Strategy and on the Council's Estimates and Accounts.

As the volume, complexity and nature of the work undertaken by the Committee had been greater than originally anticipated, the Committee had also reviewed the effectiveness of its constitution. As a consequence, the membership had been increased by one member to six and an independent (non-voting) member was to be appointed. Two substitute members had also been appointed.

The Executive Member congratulated the Committee and officers on the effectiveness of its work carried out during the year which, she felt, demonstrated the level of knowledge and commitment required and given.

The Chairman thanked the Head of Internal Audit for the report and thanked the Members for the 'ownership' and commitment they had given to the work of the Committee. He expressed his appreciation to all those involved for the work done during the year and stated that he would be pleased to present the report to the Council.

RESOLVED that the report be noted and approved for submission to the next meeting of the Council.

Action By

Mark
Finch

26/09 FOLLOW UP OF AGREED ACTIONS ARISING FROM FINAL AUDIT REPORTS (AGENDA ITEM 7)

The report was presented by the Head of Internal Audit, who explained that the report detailed the issues arising from the work undertaken and analysed the recommendations from the review work carried out and their impact on the internal control environment.

The report highlighted those recommendations that had been either fully or partially implemented with the deadlines set and also focused on those where required action had not been taken.

The report distinguished between those recommendations raised in respect of systems audits and those raised with regard to computer audits.

The extent of action taken by management in response to implementing agreed High Priority recommendations had also been taken into account in the preparation of the Annual Report and Opinion by the Head of Internal Audit.

The Committee was asked to consider the context of the report and the nature of the action taken to date and whether management was taking appropriate steps or whether any further action was required.

For the benefit of the new Members of the Committee, the Head of Internal Audit explained the definitions of the Priorities used, which had been developed over time and confirmed in the Internal Audit Contract. The Contract was explicit regarding the categorisation of recommendations and timeframes involved with regard to their implementation.

Action By

The Priorities were briefly described as follows (a copy of the full definitions was circulated at the meeting):

- High – Fundamental issues needing to be addressed urgently. Any mitigating circumstances can be discussed with management to extend the time for action if necessary.

Outstanding High Priority recommendations reflected in the Follow-up of Agreed Actions report needed to be taken forward to the Council's Annual Governance Statement

- Medium – Important issues needing to be addressed within a timescale of four to six months.
- Low – Minor issues to be resolved within a timescale of seven to nine months.

The Committee's main concerns related to the number of matters where no management replies had been given. This was particularly noted in the case of IT issues.

The ICT Manager explained that so far as the IT issues were concerned, the service had been affected by staff resources and vacancies during the year. However, the position was not as bad as it appeared from the report and many of the items had been superseded by other activities. With the resolution of the department's resources, progress was now being made to review and move forward on the issues raised.

The Head of Finance stated that the concerns about the timing of issues and follow up action was being addressed and steps were in train to introduce audit recommendations into the performance management reporting system. It was felt this would reduce the burden of administration from the audit process and improve the speed of response through the performance reporting process to Management Team and Performance Clinic. It was expected, therefore, that by the half-year report stage, Members could expect to see a much improved situation.

In response to a question, it was explained that the term "CoCo" (page 36, IT Security Policy) referred to the Code of Connection Policy, which was a statutory requirement. While the Policy was compliant with this requirement, it needed to be incorporated into further of the service reports.

RESOLVED that

- (1) the report be noted; and
- (2) a further progress report be made to the next ordinary meeting of the Committee in September on those cases of nil responses which had not yet been implemented.

27/09 ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2008-09
(AGENDA ITEM 8)

The Head of Internal Audit presented the report, which was required to be made under the Accounts and Audit Regulations 2003, the Accounts and Audit Regulations (Amendment)(England) 2006 and the Head of Internal

Sandra C.
King

Action By

Audit's annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The report was required to:

- 1) Include an opinion on the overall adequacy and effectiveness of the organisation's control environment.
- 2) Disclose any qualifications to that opinion, together with the reasons for the qualification.
- 3) Present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies.
- 4) Draw attention to any issues the Head of Internal Audit judged particularly relevant to the preparation of the Annual Governance Statement.
- 5) Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets.
- 6) Comment on compliance with the Standards of the Code.
- 7) Communicate the results of the internal audit quality assurance programme.

The report gave three opinions on internal control and set out clearly the audit plan work and the additions which fed into that process.

Concerns about the slippage on audit plan work reported at the mid-year point last year had been addressed and the plan had been completed.

Work on Housing Benefits and Council Tax Benefits reviews had been completed on 3rd June 2009, as a result of which the number of recommendations reported under the preceding item on systems audits for this service had reduced to 9.

Opinion of the Head of Internal Audit on the Overall Adequacy of the Internal Control Environment at Breckland Council

On the basis of internal audit work undertaken in 2008-09, the Head of Internal Audit's opinion was that the overall standards of internal control for the year ended 31 March 2009 were **adequate** and hence accorded with proper practice. This opinion was derived from separate opinion applying to financial systems and non-financial / operational systems. In this connection, nine reviews had received an adequate assurance, with a further 6 reviews receiving a limited assurance. Limited assurance essentially acknowledged the existence of significant internal control issues which were being addressed, otherwise their continued presence would undermine the internal control environment at the authority.

The basis of assurance was as set out in paragraph 3.3 of the report.

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The report also set out the issues relevant to the Annual Governance Statement, from which it was noted that since the report had been written, further evidence had been provided enabling the issue raised where no assurance could be given on commercial property management did not now apply and this issue was therefore removed.

Opinion of the Head of Internal Audit on the Overall Adequacy of Corporate Governance Arrangements and Systems of Risk Management at Breckland Council

The Head of Internal Audit gave an **adequate** assurance in regard to this area. This opinion was based on the outcomes of the audit assignment conducted in Quarter 1 of 2009-10, which evaluated the provisions in place for 2008-09, details of which were contained in the appendices to the report.

The planned audit work for 2008-09 was now 100% complete.

Evaluation of the performance of the Internal Audit Service was explained by the Head of Internal Audit (paragraph 3.9 of the report refers). While the time taken to produce draft reports following the completion of audit fieldwork had improved, there was still a delay in the timing of reports from draft to final stage.

There were a number of factors contributing to these delays, some linked to the contractor, some linked to information gathered at the fieldwork stage, and others linked to the response times from management impacting on the timing of final reports.

The percentage of recommendations accepted by management was 100%, which was a very good outcome.

Of 46 High Priority recommendations made during the year, 30 had actually been implemented.

The Committee was asked to note the opinions and ensure they were reflected in the Annual Governance Statement.

A member suggested that, in view of the limited assurance given relating to the item on concessionary fares in appendix 1 of the report, the review cycle should be brought forward. The Head of Internal Audit explained this would normally be taken into account.

So far as the targets contained in the Audit Plan were concerned (paragraph 3.9.1 of the report), it was explained that these were considered feasible and reasonable. In addition, the process was being streamlined by the introduction of debrief meetings to ensure that there was clarity at the draft report stage and that management had had the opportunity to discuss issues being raised. It was hoped this would speed up the final report process and responses.

This new approach, coupled with the new contractor and consequently improved relations with management was improving the effectiveness of the service.

Action By

The Assistant Director felt there was a positive conclusion to be drawn from the fact that the majority of recommendations had been implemented and that the backlog had been caught up. The key challenge would be to implement those outstanding recommendations and the use of the performance management system would help that process.

It was asked whether the Council would be able to achieve a 'Good' audit opinion. The Head of Internal Audit explained that it would be very unusual for an organisation to get a 'good' rating. An 'Adequate' rating was a very positive level of achievement and was predominantly the rating that would be hoped for.

A Member suggested it would be helpful for an explanation on that point to be included in the Annual Governance Statement to help people's understanding.

RESOLVED that

- (1) the Annual Report of the Head of Internal Audit be received and noted;
- (2) it be noted that the overall standards of internal control were **adequate** during 2008-09;
- (3) it be noted that an **adequate** assurance has been given in respect of Corporate Governance and Risk Management arrangements for the year ended 31 March 2009; and
- (4) it be noted that the adequate opinions provided in respect of the overall standards of internal control and arrangements concerning corporate governance and risk management are reflected in the Council's Annual Governance Statement for 2008-09, to be subsequently presented to the Audit Committee.

28/09 ANNUAL GOVERNANCE STATEMENT (AGENDA ITEM 9)

The Head of Finance presented the report, which informed Members of action taken to develop and comply with the local code on corporate governance and sought approval for the annual governance statement for inclusion into the Council's published financial accounts for 2008-09. An updated copy of the draft Statement was circulated at the meeting for the Committee's consideration.

Appendix A to the report contained the checklist and improvement plan forming part of the self-assessment review in accordance with CIPFA guidance.

With reference to the item on Local area or performance agreements in 1.1 of Appendix A, it was explained that the term 'golden thread' related to the alignment of Council Priorities through the Business Plan, Local Strategic Partnership and Service Team Plans. A member asked that future reports provide an expanded wording to this effect to make it clear.

A further question asked how new issues were picked up and included and it was explained that this was done at an initial annual review stage

Action By

and in discussion with service managers prior to review by the Corporate Management Team. A lot of initiatives were included in the Annual Development Plan and where appropriate, items would be included in this report also.

The updated draft Statement took account of work carried out by service managers and the Corporate Management Team in managing the Council's governance arrangements and featured opinions from external and internal audit, in particular the assurances given in the Annual Report of the Head of Internal Audit, in accordance with the preceding item.

The Chairman felt it was worthy to include a reference in the Statement of the strength gained by the Council from the inter-working relations between Members and Officers in the governance arrangements. The Assistant Director felt this could be evidenced through the Council's development and training provisions and a statement to this effect could be included.

A member also felt it would be worthy to note the Council's progress on Green Agenda issue and that there should be reference to compliance with community leadership of those developments in future reports. He felt it was particularly important to note in this report that the Council had signed up to the Nottingham Declaration on climate change.

Other minor textual corrections were noted.

RESOLVED that the report be noted and a final draft of the Annual Governance Statement, incorporating the amendments as noted above, be presented to the next meeting on 25 June 2009 for approval.

Mark
Finch

29/09 ANNUAL REPORT ON TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2008-09 (AGENDA ITEM 10)

The Accountancy Manager presented the report, which was a statutory requirement, and set out details of the treasury activities and results for the year 2008-09.

RESOLVED that

- (1) the actual 2008-09 Prudential Indicators be approved;
- (2) the Minimum Revenue Provision (MRP) Policy be approved;
- (3) the Treasury Management stewardship report for 2008-09 be noted.

30/09 PARTNERSHIP REVIEW ACTION PLANS (AGENDA ITEM 11)

The Performance Accountant presented the updated Partnership Development Action Plans and it was noted that the first two items in the Plan for the Anglia Revenues Partnership were key updates for this Quarter.

RESOLVED that the report be noted.

**31/09 STRATEGIC AND OPERATIONAL RISK REGISTERS 2009-10
(AGENDA ITEM 12)**

The Performance Accountant presented the report and explained that workshops had been held to review the new Planning and Building Control contract and the Comprehensive Area Assessment.

Operational risks had been completed by Service Managers and rationalised by Corporate Management Team.

RESOLVED that the report be noted.

32/09 QUARTER 4 GOVERNANCE REPORT - RISKS (AGENDA ITEM 13)

RESOLVED that the report be noted and a demonstration be given at the next ordinary meeting of the Committee on the operation of the new performance management system.

33/09 APPOINTMENT OF EXTERNAL MEMBER (AGENDA ITEM 14)

The Head of Finance reported that three expressions of interest had been received. It was proposed to follow the process adopted by the Standards Committee for the appointment of an independent member whereby the Committee would meet to interview the three candidates and recommend an appointment.

RESOLVED that the Members meet as an interviewing Panel prior to the meeting of the Committee on 25 June 2009, commencing at 9.30 a.m. Officers attending to be the Assistant Director, Head of Finance and Head of Internal Audit.

34/09 NEXT MEETING (AGENDA ITEM 15)

Arrangements for the special meeting on 25 June 2009 were noted.

35/09 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 item of business on the grounds that it involves the disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

**36/09 ANNUAL STATEMENTS OF ACCOUNTS - PRELIMINARY REVIEW
(AGENDA ITEM 17)**

The Head of Finance presented the draft report and explained that, as last year, the Committee was being afforded the opportunity to have a preliminary review of the draft Accounts and to input comments into the process before the final documents were published.

The Head of Finance brought to the attention of the Committee various key figures and explained the variances over the previous year. This covered items in the Income and Expenditure Account, the Statement of Movements on the General Fund balance, the Statement of Total Recognised Gains and Losses and the Balance Sheet.

Action By

Chris
Brooks

Action By

It was noted that this was still very much a working document and further amendments would be made before the final document was submitted for approval.

It was also noted that officers would be attending a CIPFA course on PFI accounting rules, as it was anticipated that PFI accounts were likely to be brought back onto the books under new standards. This was likely to have a significant impact for the Council's accounts, with closing balances needing to be restated to reflect the new requirements brought about by the International Financial Reporting Standards. The Head of Finance would report back on the CIPFA course to a future meeting.

RESOLVED that the draft report be noted. Members be invited to raise any further issues with the officers prior to the meeting on 25 June, when the final accounts will be submitted for the Committee's approval.

Mark
Finch

The meeting closed at 11.55 am

CHAIRMAN