

BRECKLAND COUNCIL

Report of the Head of Internal Audit in consultation with the Chair of the Audit Committee to the

AUDIT COMMITTEE – 12 June 2009

ANNUAL REPORT OF THE AUDIT COMMITTEE

1. Purpose of the Report

- 1.1 The purpose of this report is to summarise the work of the Audit Committee during 2008/09, confirm that it has operated in accordance with its original terms of reference, complied with best practice as contained within 'A Toolkit for Local Authority Audit Committees' (published by the Institute of Public Finance Ltd in 2006) and demonstrated effective challenge to current practice.
- 1.2 The Terms of Reference of the Audit Committee, as approved by Council on 6 December 2007, require the production of an Annual Report on the Committee's work and performance to be presented to Council.

2. Recommendation

It is recommended that the Audit Committee note and approve the contents of the Annual Report, and that this is then taken forward to Council.

3. Background

- 3.1. The first meeting of Breckland District Council's Audit Committee was held on 20 February 2008, following approval of the Terms of Reference by Council on 6 December 2007. The Committee was established to enable it to play a key role in the delivery of corporate governance at the authority, improve internal control arrangements at the Council and thus enhance the Council's Use of Resources score in this area, reduce the amount of financial information reviewed by the Overview and Scrutiny Commission, and allow for more specialist consideration to be given to Internal and External Audit related matters, and Risk Management provisions.
- 3.2. This is the first Annual Report of the Audit Committee produced in line with the Terms of Reference of the Committee, and best practice as contained within 'A Toolkit for Local Authority Audit Committees' published by the Institute of Public Finance Ltd in 2006. This report provides a summary of the activities of the Audit Committee during 2008/09 and seeks to confirm that it has operated in accordance with best practice guidance.
- 3.3. The Committee has met on 7 occasions during the year, during which time it has considered a total of 29 reports and updates on a variety of matters. More specifically, 16 of the reports and updates related to financial and other governance matters. There have also been 7 reports concerning risk management, and a further 6 reports presented by either Internal or External Audit. The nature of the reports subject to Audit Committee scrutiny is explored below in Sections 6 and 7.

4. Membership and Attendance of the Audit Committee in 2008/09

- 4.1. The Audit Committee has been well attended during the year, with a total of 27 out of a possible 36 attendances recorded (i.e. 75% member attendance duly noted). Councillors have normally given apologies when unable to attend, and on one occasion, one Councillor provided notes and questions to the Committee in their absence, with officers subsequently providing written responses to the issues raised. In addition to the standing members of the Committee, the Executive Member for Governance has regularly been in attendance.
- 4.2. The Chair of the Audit Committee has considerable local government experience, whilst other Committee members are able to draw upon backgrounds in accountancy and linked to administering/running local businesses. There is also some cross membership between the Audit Committee and the Overview and Scrutiny Commission, whereby Councillor Kybird sits on both Committees.
- 4.3. It was anticipated that when the Committee was set up, there would be approximately 4 meetings per year, and therefore substitute members would not be required. However, such have been the demands on the Committee, with 7 meetings being held in its first full year, it has proved necessary to review the adequacy of the current membership. The outcome of this review led to Council's approval in January 2009 to increasing the number of members from 5 to 6 and permitting the appointment of 2 substitute members.
- 4.4. In the course of the financial year, the Committee has also considered the appointment of an Independent Member. At the March 2009 meeting of the Committee, agreement was reached regarding an advertisement to attract candidates for the Independent Member role. The appointment of an Independent Member would bring specialist expertise to the Committee, thereby enhancing the quality of debate and level of scrutiny afforded by the Committee.
- 4.5. On 19 January 2009, there has also been a Joint Committee meeting held between the Overview and Scrutiny Commission and the Audit Committee, which focused solely on the potential externalisation of Planning and Building Control. This was attended by 3 members of the Audit Committee.
- 4.6. To further assist Members with their understanding of the way in which the Audit Committee should be operating, training was provided in April 2008 to explore the Effectiveness of Audit Committees.

5. The Remit of the Audit Committee

- 5.1. The remit of the Committee is clearly set out in its Terms of Reference. In particular, the Audit Committee has a pivotal role in reviewing, challenging, developing, and where appropriate, approving:
 - The Council's internal control and assurance processes, as they feed into the organisation's Annual Governance Statement, taking account of senior management self-assessment initiatives, as well as the work of Internal & External Audit and any other regulatory and/or inspection bodies;
 - Financial Reporting arrangements culminating in the review of the Draft Annual Statement of Accounts;

- Risk management provisions operating at the Council;
- Anti fraud and corruption arrangements, including whistleblowing provisions by Councillors, officers, contractors and suppliers who interact with the Council, as well as members of the public; and,
- The framework for ensuring compliance with the Code of Corporate Governance.

6. The Nature of Work Considered

- 6.1. Reports have been submitted to the Committee on a number of topics throughout 2008/09, including:

Internal Control and Assurance Processes – Management Related

- The outcomes of the Partnerships Review undertaken by Norfolk County Council and in particular the outcomes of the review of the following partnerships:
 - Anglia Revenues Partnership
 - Anglia Revenues Partnership Trading Ltd
 - Breckland Crime and Disorder Reduction Partnership
 - PFI Leisure Contract Management and Monitoring Partnership
 - SERCO Environmental Services and Security
 - Steria Contract / Partnership
- Review of the current position on Action Plans following the Partnerships Review
- Good Guidance in Partnerships – Guidelines and Updates Presentation
- Updates on Business Transformation, and in particular the externalisation of the Planning and Building Control Department and options for Anglia Revenues Partnership
- A presentation on the Business Continuity Plan
- The Treasury Management Strategy and Policy 2009/10
- The Capital Programme 2009/10
- Updates on the position of monies invested with Icelandic Banks
- Consultation on the Draft Estimates 2009/10

Internal Control and Assurance Processes – Internal Audit Related

- A report on the status of agreed Internal Audit recommendations raised in 2006/07 and 2007/08
- The Annual Report of the Head of Internal Audit covering the financial year 2007/08

- A Mid Year Progress Report on delivery of the Annual Audit Plan for 2008/09
- The Outcome of the Computer Audit Needs Assessment 2008/09
- Internal Audit's Terms of Reference for 2009/10, Code of Ethics for 2009/10, Internal Audit Strategy for 2009/10, Strategic Audit Plan for 2009/10 to 2013/14, Annual Audit Plan for 2009/10 and Summary of Internal Audit Coverage for 2009/10.

Internal Control and Assurance Processes – External Audit Related

- The Audit Commission Annual Governance Report 2007/08

Financial Reporting Arrangements

- The Draft Annual Statement of Accounts 2007/08
- International Financial Reporting Standards

Corporate Governance

- The Annual Governance Statement 2007/08

Risk Management

- The revised Risk Management Policy
- A demonstration of the Corporate Risk Register and Performance Management System
- Regular updates on the Corporate Risk Register, the progress of the Register and new risks added to the Register

7. An Overview of Key Issues reviewed during the year

7.1. Partnerships and Externalisation of Services

This has been a key area of focus for the Committee's attention during the year. The Council commissioned Norfolk County Council to undertake an in-depth audit of several existing partnerships, the results of which were reviewed by the Audit Committee in September 2008. The action plans resulting from this work were subsequently assessed in March 2009 and used to inform discussions on the Business Transformation agenda.

Another area where the Audit Committee has undertaken detailed scrutiny of linked arrangements has concerned the proposed Externalisation of Planning and Building Control. This subject has been discussed at Committee meetings in September and November 2008, and was then the subject of a Joint Committee meeting between the Overview and Scrutiny Commission and the Audit Committee in January 2009. The final decision on Externalisation is considered by Cabinet in May 2009.

7.2 Risk Management

Risk Management has maintained a prominent profile on the Audit Committee's work programme throughout 2008/09. Regular updates have been provided on the current status of Corporate Risks, whilst a revised Risk Management Policy was approved by the Audit Committee for full Council adoption in November 2008. In January 2009, the Members also received a presentation on how the Corporate Risk Register can be accessed through the Council's TEN performance management system.

7.3 Challenge provided by the Committee throughout the year

This year has been one of development for the Committee in gaining greater understanding of its role, responsibilities and the nature of business brought to its attention for scrutiny and approval. The Committee has striven to fulfil all aspects of its remit, challenging the content of reports, as appropriate. Moreover, given the current volatile financial situation both globally and in terms of the pressures it has placed on the Council, the Committee responded by undertaking an in-depth examination of the Council's Treasury Management Strategy and Policy for 2009/10, ensured that the Capital Programme for 2009/10 was also subject to strong debate and raised a number of issues concerning the latest position with regards to Icelandic Bank investments, when this was feature as a Committee agenda item.

The Committee's determination to provide adequate time to consider papers has also been apparent in 2008/09, namely when it was agreed to hold two specific meetings focusing on single agenda items; i.e. the meetings of 27 June 2008 and 20 November 2008, where the draft Annual Statement of Accounts and draft Estimates were reviewed respectively. Both of these meetings were well attended and the documentation subject to detailed evaluation. The review of the draft Annual Statement of Accounts was noticeably assisted by the use of an aide-memoire of key questions for the Committee to consider.

7.4 Acknowledgements

The Audit Committee would like to thank Council Officers and the Internal and External Audit staff for their work throughout year, which has enabled the Committee to gain considerable understanding of the internal control environment, systems of risk management and corporate governance arrangements currently in place at Breckland Council, and respond proactively to all matters brought to its attention.

8. Decision Sought

- 8.1. The Audit Committee are requested to note and approve the Annual Report of the Committee, which should then be taken forward to full Council.

9. Reasons for the Recommendation

- 9.1. The development of an Annual Report and its presentation to full Council ensures compliance with best practice as identified in CIPFA's publication – 'A Toolkit for Local Authority Audit Committees' and ensures the Committee is complying with its Terms of Reference.

10. Conclusion

10.1. This is the first full year of operation of the Audit Committee. It has been a very busy year, with 7 meetings being held and a large volume of reports being considered by the Members. The nature of issues debated by the Committee and the level of challenge that it has demonstrated throughout the year has confirmed that the Committee is committed to ensuring that systems of internal control, risk management and governance arrangements are effectively monitored. Further enhancements, with the introduction of an Independent Member and the expansion of the Committee's membership, will assist in ensuring that the Committee is placed in an even stronger position in 2009/10 to build on the work it has carried out in 2008/09.

11. Risk and Financial Implications

11.1. **Risk** – Based on the work performed by the Audit Committee in 2008/09, and its commitment to comply with best practice guidance, the Council has made good progress in developing arrangements for the delivery of corporate governance and risk management at the authority, in addition to advancing internal control and assurance processes, which collectively should minimise risks normally associated with these areas.

11.2. **Financial** – There are no financial implications linked to this report.

12. Legal Implications

12.1. Equalities: None

12.2. Section 17, Crime and Disorder Act 1998: None

12.3. Section 40, Natural Environment and Rural Communities Act 2006: None

12.4. Human Resources: None

12.5. Other: None

13. Alignment to Council Priorities

13.1. The approval of the attached documentation will assist the Council in its pursuit of its priorities:

- A safe and healthy environment
- A well planned place to live which encourages vibrant communities
- A prosperous place to live and work.

14. Ward/Community affected

14.1. Not applicable.

Background Papers

Not applicable

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Key Decision Status (Executive Decisions only):

This is **NOT** a Key Decision