

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE**  
**31<sup>ST</sup> MARCH 2010**

Present: Councillors: Roger Arthur (Chairman), Leonard Warner (Vice-Chairman), Jonathan Chowen, Leonard Crosbie, David Holmes, Gordon Lindsay

Apologies: Councillor: Alan Fisher

AAG/31 **MINUTES**

The minutes of the meeting held on 9<sup>th</sup> December 2009 were approved as a correct record and signed by the Chairman.

AAG/32 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/33 **ANNOUNCEMENTS**

The Chairman referred to the good news that the Council had again been awarded Investors in People Status.

The Director of Corporate Resources indicated that he would be arranging some training for Members on the Prudential Code following Council's decision to delegate future approval of the Code and the Treasury Management Strategy to the Committee.

AAG/34 **DRAFT ANNUAL GOVERNANCE STATEMENT 2009/10**

The Director of Corporate Resources submitted the Annual Governance Statement and Supporting Evidence in draft form for Members' comments and questions. The Statement was designed to demonstrate how the Council delivered good governance and to meet the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006.

Members commented on the draft Statement with particular reference to:

- the use of the 'Covalent' system
- the need to amend Core Principle (2) to indicate that the Constitution would be reviewed by the Council and that the Leader and the Chairmen of Standing Committees and their deputies received verbal briefings from Chief Officers
- amending the wording of Core Principle (3) in respect of HR disciplinary policies

AAG/34 Draft Annual Governance Statement 2009/10 (cont.)

- Core Principle (6) in respect of Community Partnership “Goal Groups” action plans.

The Director of Corporate Resources suggested that a briefing on the use and functionality of the ‘Covalent’ system could be given to Members of the Performance Management Working Group and that Members of this Committee could be invited to attend. He would also review the wording of Core Principle (6) in consultation with the Head of Strategic Planning & Performance.

Members also discussed whether there were any additional actions for inclusion in the 2009/10 Action Plan and concluded that there were none. Richard Smith, Audit Manager indicated that the Auditors would advise the Council if they felt that any specific actions were missing when they undertook their audit.

The Annual Governance Statement would be submitted for approval by the Committee in June, together with the Council’s statutory accounts.

RESOLVED

- (i) That the draft Annual Governance Statement for 2009/10 be noted.
- (ii) That the comments on the draft Statement be incorporated as appropriate.

REASON

To fulfil the Council’s statutory duty in respect of internal control.

AAG/35 **ANNUAL AUDIT AND INSPECTION FEE**

The Director of Corporate Resources reported that the District Auditor had notified the Council that the indicative audit fee for the financial statements, Use of Resources and Whole of Government accounts work for 2010/11 was £115,620, an increase of 6% on the 2009/10 fee. The increase in fee for the financial statements element of the audit reflected the costs of additional work arising from the introduction of international financial reporting standards in 2010/11. However, it had been announced that part of the additional cost would be rebated, with a schedule of rebates to be published in June 2010. There would be a separate fee of £9,152 for the managing performance element of the organisational assessment, which

AAG/35 Annual Audit And Inspection Fee (cont.)

would be the same for all district councils. In addition, grant claim certification work was estimated at £21,000, although this would be charged at a daily rate and would depend on the work actually done.

RESOLVED

That the level of the annual audit and inspection fee for 2010/11 be noted.

REASON

The audit and inspection regime is statutory.

AAG/36 CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT

The Director of Corporate Resources reported on the District Auditor's findings from the certification of 2008/09 claims and returns. The claims involved were for Housing and Council Tax Subsidy Benefit grant (£28.7m), Disabled Facilities Grant (£0.375m) and the payment into the national pool for National Non Domestic Rates (£37.7m). Certification was required for major grant claims over £100,000.

It was noted that the Auditor had drawn attention to a minor matter on the Benefit Subsidy claim whereby a misclassification had occurred between the current and prior year over-payment cells, although overall subsidy had not been over-claimed. The Director of Corporate Resources indicated that he would advise the Members of the Committee if the system error that had caused the misclassification had now been resolved.

RESOLVED

That the report be noted.

REASON

The audit and inspection regime is statutory.

AAG/37 INTERNAL AUDIT – QUARTERLY UPDATE REPORT

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section from December 2009 to date and seeking approval of the Internal Audit Plan for 2010/11.

It was noted that the absence on sick leave of the previous Chief Internal Auditor had impacted on the ability of the audit team to complete the audit

AAG/37 Internal Audit – Quarterly Update Report (cont.)

plan for 2009/10 and, therefore, a number of audits had slipped into next year's plan. However, it was noted that the new Principal Internal Auditor had commenced employment with the Council on 4<sup>th</sup> January 2010, earlier than had been anticipated. The new post holder had a strong background in information technology, which had enhanced the skills base of the team.

A summary of audit findings in respect of contracts, debtors, information security, treasury management, business rates and asset management was submitted.

Members expressed concern regarding the current approach to the procurement of vehicles (non-refuse fleet) but were pleased to note that action was now being taken to develop a vehicle procurement policy.

In addition, project support work was being undertaken by Internal Audit in risk management and ICT security.

Details of the Internal Audit Plan for 2010/11, which was designed to meet corporate governance requirements by focusing on key financial or high-risk areas, were submitted. It was agreed that the Plan should be revised to give Members more explanation as to which audits were undertaken annually, those that were on a four-yearly cycle and when they had last been audited and how priorities were decided. The revised version would be considered by the Committee at its next meeting.

RESOLVED

- (i) That the summary of audit and project support work undertaken since December 2009 be noted.
- (ii) That the Internal Audit Plan for 2010/11 be approved and that it be expanded to contain more explanation, as set out above.

REASON

To comply with the requirements set out in the CIPFA Code of Practice for Internal Audit.

AAG/38 **PRUDENTIAL CODE FOR CAPITAL FINANCE AND TREASURY MANAGEMENT STRATEGY 2010/11**

The Director of Corporate Resources reported that the Prudential Code for Capital Finance and the Treasury Management Strategy 2010/11 had been

AAG/38 Prudential Code For Capital Finance And Treasury Management Strategy 2010/11 (cont.)

considered and agreed by Council on the 24<sup>th</sup> February 2010. The Council had also agreed that the terms of reference of this Committee should be revised to include, in future years, the authority to approve this report on behalf of the Council.

Whilst the report for 2010/11 had been agreed by Council, it was suggested that the Committee might wish to have an early opportunity to discuss some of the more technical aspects of the report in preparation for taking on this responsibility in future. One particular area of review for 2011/12 would be the authorised limit for temporary borrowing.

A draft amendment to the Committee's Terms of Reference, to include consideration of the annual borrowing and lending parameters and approval of the Council's Treasury Management Strategy, was also submitted.

RESOLVED

That the revised terms of reference of the Committee be agreed.

AAG/39 **RISK MANAGEMENT – PROGRESS REPORT**

The Director of Corporate Resources reported that the corporate risk register had been reviewed by the Corporate Management Team, which had decided that a number of risks should be removed from the "live" register on the basis that control actions had now been implemented, although they would still be recorded on the monitoring system. Details of these risks together with other changes to the register including one new risk were reported. These changes meant that there were now 12 risks remaining on the Corporate Risk Register, which was a more manageable number and would help to ensure that resources were being focused on key priority areas.

The Risk Management Strategy had now been in place for two years and had been reviewed and updated to reflect current responsibilities and achievements to date. It was noted that significant progress had been made in the implementation of the risk management process. It was considered that the project was on track to meet the original target of fully embedding risk management into the culture of the organisation by March 2011. An audit of the risk management process had found that there were some areas of non-compliance. An action plan would be developed to address the identified control weaknesses, details of which would be reported to the next meeting of the Committee.

AAG/39 Risk Management – Progress Report (cont.)

The main priorities for 2010/11 were set out in the revised Risk Management Strategy.

Details of progress made in respect of departmental risk registers were also reported.

Members discussed whether an additional action was needed in respect of CRR17: Operational Restructure & Failure to Achieve Organisational Change relating to an assessment as to whether Heads of Service were coping with their wider remits/increased workloads. It was the general consensus that this was a function that should be embedded in the normal management process and undertaken by the Chief Executive and Directors and that Members should be focusing on outcomes not process. It was therefore considered that no additional action was required.

RESOLVED

- (i) That the revised Corporate Risk Register be approved.
- (ii) That the revised Risk Management Strategy, which incorporated a progress update and an action plan for 2010/11, be agreed.
- (iii) That the progress made in respect of the departmental risk registers be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/40 URGENT MATTERS

There were no urgent matters to be considered.

The meeting finished at 7.27pm having commenced at 5.30pm.

**CHAIRMAN**