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**AUDIT AND RISK COMMITTEE**

**22 June 2009 – 6.00 pm**

**PRESENT:**

Councillor Barker (in the Chair); Councillors Burroughs, Collins, Garrod, P Hacon, Jermany, M Thompson, Walker and Watts.

Councillor Ames attended as an observer.

An apology for absence was received from Councillor Butcher.

Mr S Duncan (Head of Financial Services), Mr R Hodds (Member Services Manager and Scrutiny Officer) and Mrs D Summers (Service Manager – Finance Technical).

Ms S King (Internal Auditor, South Norfolk District Council) and Ms F Roe (Deloitte and Touche).

**1. MINUTES**

The minutes of the meeting held on 7 April 2009 were confirmed.

**2. ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2008/09**

The Committee considered the Head of Internal Audit's Annual Report on Internal Audit Activity 2008/09. Members were advised 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 United Kingdom 2006. The Code specifies in Section 10.4 that the following information should be forthcoming:-

- (a) Include an opinion on the overall adequacy and effectiveness of the organisation's control environment.
- (b) Disclose any qualifications to that opinion, together with the reasons for the qualification.
- (c) Present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies.
- (d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.

- (e) Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance, measures and targets.
- (f) Comment on compliance with the Standards of the Code.
- (g) Communicate the results of the Internal Audit Quality Assurance Programme.

The Head of Internal Audit reported that the report analyses internal audit activity against the Annual Audit Plan for 2008/09 and provides a confirmation that all work has been delivered in accordance with planned requirements, as approved by the Audit and Risk Committee and in consultation with the Authority's Section 151 Officer.

Moreover, based on audit work carried out during 2008/09, it is the opinion of the Head of Internal Audit that at Great Yarmouth Borough Council:-

- (a) An adequate assurance level is applicable to the overall standards of internal control.
- (b) Risk management systems and corporate governance arrangements had been assessed as adequate.

Members were advised that an examination of performance information had also been included in the report, and there had been some deviation from contractual targets for the production of draft and final audit reports but new methods of working are being introduced to resolve this issue.

**RESOLVED:**

- (i) That the Annual Report of the Head of Internal Audit be received and noted.
- (ii) That it be noted that the overall standards of internal control were adequate during 2008/09.
- (iii) That 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.
- (iv) That 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, which is subsequently presented to the Audit and Risk Committee.

### **3. STATEMENT OF ACCOUNTS 2008/09**

The Committee considered the Head of Financial Services' report on the Statement of Accounts for 2008/09.

The Head of Financial Services reported that the Accounts and Audit Regulations 2003 require that the Council's Statement of Accounts for 2008/09 be submitted to full Council for approval by 30 June 2009. The Statement of Accounts 2008/09 is a detailed financial document which serves to summarise the financial performance of the Council for the year and includes:-

- An explanatory foreword which provides an understandable guide to readers of the accounts on the most significant matters contained within the statements. It also assists in providing an interpretation of the accounting statements themselves.
- Statement of Accounting Policies which explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- Statement of Responsibilities for the Statement of Accounts which sets out the respective responsibilities of the Council and the Section 151 Officer for the accounts.
- The core financial statements.

The Head of Financial Services explained in detail the contents of the Statement of Accounts, and clarified points of detail raised by Members.

With regard to the out-turn position 2008/09 the Head of Financial Services reported that the Council's net expenditure on the General Fund was £19.7 million which included the Area Based Grant of £4.7 million against an approved budget of £15.4 million. This resulted in a net underspend of £740,000. The Housing Revenue Account out-turn was a deficit of £1.4 million against a revised projected deficit of £441,000. This resulted in an adverse variance of £925,000.

**RESOLVED:**

That Council be recommended to approve the Statement of Accounts 2008/09, as amended, noting that the statements will then be subject to audit.

#### **4. ANNUAL GOVERNANCE STATEMENT**

The Committee considered the Head of Financial Services' report which provided background on the Annual Governance Statement requirement for the financial year 2008/09. Members were advised that the Council is required to prepare an Annual Governance Statement instead of a Statement of Internal Control with effect from 2007/08. The Head of Financial Services reported that the purpose of the Annual Governance Statement was to report on the Authority's governance arrangements and was, therefore, wider ranging and more holistic than the Statement of Internal Control. The Statement is to be published with the Annual Statement of Accounts for 2008/09 in place of the Statement of Internal Control.

The Head of Financial Services reported that the Annual Governance Statement should be an open and honest self-assessment of the Council's performance across all of its activities, with a clear statement of the actions being taken or required to address areas of concern and should include the following:-

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control).
- A description of the key elements of the systems and processes that comprise the governance arrangements.
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements.

- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

**RESOLVED:**

That Council be recommended to approve the Annual Governance Statement, as amended.

**5. AUDIT AND RISK COMMITTEE – WORK PLAN 2009/10**

The Committee received for information details of the proposed Audit and Risk Committee Work Plan for 2009/10.

**6. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE FOR 2008/09**

The Committee considered the Chairman's report which summarised the work of the Audit and Risk Committee during 2008/09. The report confirmed that the Committee had operated in accordance with its original Terms of Reference, complied with the relevant Codes of Practice in the pursuit of best practice and had demonstrated effective challenge on the six occasions when it had met in 2008/09.

Members were advised that the Audit and Risk Committee had remained active throughout the financial year reviewing and challenging documentation brought to its attention. Furthermore, the Committee had striven to be more effective since a self-assessment exercise was conducted in June 2008 and, as a consequence, the action plan developed to enhance operational arrangements had now been fully implemented.

However, the Committee's role in monitoring risk management provisions at the Council has still to be fully embedded and although over the past 12 months the Corporate Risk Assessment and report on the Risk Management Framework had been noted by the Committee, regular reports that monitor the status of existing risks and the identification of new risks affecting the Council are yet to be developed and submitted for Member consideration.

**RESOLVED:**

That the Annual Report of the Audit and Risk Committee for 2008/09 be noted and approved.

**7. CLOSURE OF MEETING**

The meeting ended at 7.10 pm.