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**AUDIT AND RISK COMMITTEE**

**23 June 2008 - 6.00 pm**

**PRESENT:**

Councillor Smith (in the Chair); Councillors Barker, Burroughs, Collins, P Hacon, Jeal, Jermany, Tate, Walker and Watts.

Councillor Ames attended as an observer.

Mrs J Ratcliffe (Executive Director – Customers and Resources), Mr S Duncan (Head of Financial Services), Mr R Hodds (Member Services Manager and Scrutiny Officer), Ms L Grinnell (Interim Service Manager – Finance Technical) and Executive Officer (Central Services).

Ms S King (Internal Auditor - South Norfolk District Council).

**1. MINUTES**

The minutes of 3 June 2008 were confirmed.

**2. DATA QUALITY POLICY 2008-2010**

Members were asked to consider the draft Data Quality Policy for 2008-2010. The Executive Officer (Central Services) reported that the purpose of this Policy was to outline the Borough Council's approach to improving data quality across the Council. Members were advised that consistent, high quality, timely and comprehensive information is vital to support good decision making and improved service outcomes. The Executive Officer also reported that an audit of data quality had been carried out by the Audit Commission in 2006/07 in which great emphasis had been placed on the importance of data quality in the revised approach adopted by the Audit Commission to auditing performance information. Following the audit, the Council acknowledged the need to further improve internal controls over both the recording of data and the preparation of performance information and the Data Quality Policy had been produced as a result.

**RESOLVED:**

That the Data Quality Policy 2008-2010 be approved.

**3. INFORMAL DISCUSSIONS WITH INTERNAL AUDITOR**

The Committee undertook an informal discussion with the Internal Auditor on issues of interest/concern.

The Chairman reported that these informal sessions would take place at each Audit and Risk Committee in the future.

**4. FOLLOW-UP ON INTERNAL AUDIT ACTIVITIES**

The Committee considered the Head of Internal Audit's report which provided an overview of the status of agreed actions arising from audits performed during 2006/07 and 2007/08. Management's commitment to enhancing the internal control environment through the implementation of Internal Audit recommendations had been duly explored, and an analysis had been undertaken to determine the extent of outstanding agreed actions currently in existence, in terms of those partially completed or still to be actioned by the agreed target dates and those where the expiry date is still in the future.

The Committee was advised that up-to-date information would be presented to the next meeting with regard to the schedule of outstanding agreed actions as at April 2008.

**RESOLVED:**

That the overall position regarding agreed actions arising from audit reviews and the decision whether Management has been taking appropriate steps to address weaknesses found in the internal controlled environment, as identified in final audit reports, be noted.

**5. ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE**

The Committee considered the Chairman's report which summarised the work of the Audit and Risk Committee during 2007/08. 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 four occasions when it had met throughout the financial year.

Members were advised that the Audit and Risk Committee is strongly committed to developing its role, profile and level of challenge, as demonstrated throughout 2007/08. Its function is consistent with best practice and it is fully appreciative of the fact that it has a major role to play in securing improvements to the internal controlled environment and governance arrangements generally within the Council. Moreover, its growing work programme is indicative of the proactive stance that it has sought to take at the Council.

**RESOLVED:**

That the Annual Report of the Audit and Risk Committee for 2007/08 be approved.

**6. EFFECTIVENESS OF INTERNAL AUDIT AND AUDIT & RISK COMMITTEE**

The Committee considered the Head of Financial Services' report on the Effectiveness of Internal Audit and the Audit and Risk Committee.

The Head of Financial Services reported that regulation 6 (3) of the Accounts and Audit (Amendment) (England) Regulations 2006 requires that the “relevant body shall, at least once in each year, conduct a review of its system of internal audit”. Guidance issued by the Chartered Institute of Public Finance and Accountancy states that good practice is for the Audit and Risk Committee to periodically assess its own effectiveness.

The Head of Financial Services reported that in October 2007, the Council had appointed a new Internal Audit Partner, Deloitte & Touche, following the end of the contract with Norfolk Audit Services. As part of this new contract, a review had been undertaken of the compliance of Internal Audit with the Code of Practice for Internal Audit in Local Government 2006, as issued by CIPFA. The Audit and Risk Committee had received a report in March 2008 giving details of a tool kit for Local Authority Audit Committees as prepared by the CIPFA Better Governance Forum. At its meeting on 3 June, the Committee had completed the self-assessment checklist which formed part of this tool kit.

Members were advised that the review of Internal Audit and the Audit and Risk Committee had showed that these are operating in accordance with best practice and serve to further strengthen the internal control environment operated by the Council.

**RESOLVED:**

- (i) That the outcomes of the reviews of Internal Audit and the Audit and Risk Committee be noted.
- (ii) That the actions to address the weaknesses identified as a result of the reviews as detailed in the Head of Financial Services’ report be approved.

## **7. 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 2007/08. 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 Authorities Governance Arrangements and was therefore wider ranging and more holistic than the Statement on Internal Control. The Statement is to be published with the Annual Statement of Accounts for 2007/08 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.

## **8. STATEMENT OF ACCOUNTS 2007/08**

The Committee considered the Head of Financial Services' report on the Statement of Accounts for 2007/08.

The Head of Financial Services reported that the Accounts and Audit Regulations 2003 require that the Council's Statement of Accounts for 2007/08 be submitted to full Council for approval by 30 June 2008. The Statement of Accounts 2007/08 is a detailed financial document which serves to summarise the financial performance of the Council for the year and includes:-

- An explanatory forward 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 outturn position 2007/08, the Head of Financial Services reported that the Council's net expenditure on the general fund was £15.5m against an approved budget of £15.63m. The Housing Revenue Account outturn was a surplus of £1,467,000 against a revised projected deficit of £81,000. This was largely due to under-spends on both day-to-day responsive repairs and planned maintenance on Council houses.

RESOLVED:

That Council be recommended to approve the Statement of Accounts 2007/08, noting that the statements will then be subject to audit.

## **9. CLOSURE OF MEETING**

The meeting ended at 8.05 pm.