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AUDIT AND RISK COMMITTEE

25 June 2007 – 6.30 pm

PRESENT:

Councillor Tate (in the Chair), Councillors Barker, Collins, Hacon, Hodds, B Walker and Watts.

Councillor Smith attended as an observer.

Mrs J Ratcliffe, (Executive Director – Resources), Mr S Duncan (Head of Financial Services), Mr M Gorringe (Interim Head of Financial Services) and Mr R Hodds (Member Services Manager).

Ms C Bye and Ms K Last (Norfolk Audit Services).

1. MINUTES

The minutes of the 14 March 2007 were confirmed.

2. DRAFT STATEMENT ON INTERNAL CONTROL

The Committee considered the Interim Head of Financial Services' report on the Draft Statement on Internal Control 2006/07. Members were advised that the Statement had been prepared in accordance with guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Draft Statement acknowledges the Borough Council's responsibility for ensuring that an effective system of Internal Control is maintained and operated.

The Interim Head of Financial Services reported that the system of Internal Control can provide only reasonable assurance and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or could be detected within a timely basis. The Statement also needed to be considered in the light of recent concerns raised by the Audit Commission about the need for the Council to improve and strengthen financial management and aspects of its overall control environment. The Interim Head of Financial Services also reported that the Draft Statement forms part of the Council's Statement of Accounts.

The Draft Statement on Internal Control 2006/07 contained issues relating to the following:-

- Scope of responsibility
- The purpose of the system of Internal Control

- The Internal Control environment
- Review of effectiveness and significant control issues
- Significant Internal Control issues to be addressed in 2007/08.

Members were advised that the Draft Statement would be subject to Council approval at its meeting on the 28 June.

RESOLVED:

That the Draft Statement on Internal Control 2006/07 be endorsed and referred to Council for approval.

3. ANNUAL INTERNAL AUDIT REPORT 2006/07

The Committee considered the Chief Internal Auditor's report which summarised the results of work by Internal Audit, and gave an overall opinion on the adequacy and effectiveness of internal controls within the Council. The report gave assurance that, where improvements are required, action plans had been agreed with Heads of Services. This Annual Report supports the assurance statements, included in the Annual Statement on Internal Control forming part of the Statement of Accounts.

In discussing the report, the Committee discussed the issue relating to the Norfolk Audit Services stated opinions with regard to the assessment of Internal Control. Reference was also made to the comments of the Leader of the Council indicating his desire to see the strengthening of financial management as a priority for the Borough for 2007/08.

RESOLVED:

(i) That the annual opinion as being "key issues that need to be addressed" be noted.

(ii) That the action plans that had been agreed with responsible Officers within the Borough Council be noted.

(iii) That the messages as detailed in (i) and (ii) above be reflected in the Statement of Internal Control.

(iv) That it be noted that auditees within the Borough are satisfied with the work provided by Norfolk Audit Services.

4. ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

In accordance with the Accounts and Audit Regulations (Amendment) 2006, the Committee considered the Interim Head of Financial Services' report on the Annual Review of Effectiveness of Internal Audit. Members were advised that the findings of this Review needed to be considered by the Committee as part of the consideration of the Council's system of Internal Control and that the findings would also feed into the Statement on Internal Control.

The Interim Head of Financial Services reported that the Review covered how the Audit Service operates and the extent of compliance with the CIPFA Code of Practice for Internal

Audit and Local Government in the United Kingdom 2006. Great Yarmouth has adopted these standards for Local Authority Internal Audit and they are reiterated in the current specification for the Audit Services contract with work currently ongoing to further raise the level of compliance with the CIPFA Code. In addition, the statutory role of Internal Audit has been formally recognised and endorsed within the Council's financial regulations and financial procedures.

The Interim Head of Financial Services reported that compliance with the CIPFA Code was based on adherence to a number of standards and that it was pleasing to report that, with the following exceptions, the standards were being adhered to:-

- The Partnership needs to be strengthened to ensure that, where appropriate, individual audit assignments are phased more evenly over the financial year
- The requirement for the Head of Internal Audit to report in his or her own name, particularly to this Committee needs to be strengthened
- Evidence is required to show that the Head of Internal Audit regularly reminds staff of their ethical responsibilities – to be addressed under the new contract
- The protocol that defines working relationships need to be developed – to be addressed under the new contract
- Evidence is required to show details of training and continuing professional development – to be addressed under the new contract
- Evidence, including the results of self-assessment is required to demonstrate the performance and effectiveness of the service – to be addressed under the new contract.

The Committee was informed that a detailed review will be undertaken for 2007/08 and this could also involve this Committee reviewing information on the effectiveness of the area shown above performed by self-assessment, customer feedback and any existing external performance reviews. It could also include reviewing information from an internal or external "peer review" undertaken by another local authority.

Members also discussed the possibility of each meeting of this Committee undertaking a regular half hour training session for Members where appropriate.

RESOLVED:

- (i) That the annual requirement to undertake a review of the effectiveness of internal audit be noted.
- (ii) That the outcome of the high level review undertaken by the Interim Head of Financial Services as a pre-cursor to a more detailed review from 2007/08 be noted.
- (iii) That, where appropriate, half hour training sessions be held at each meeting of the Audit and Risk Committee.

5. NEW CONTRACT FOR INTERNAL AUDIT SERVICES

The Committee considered the Interim Head of Financial Services' report on a New Contract for Internal Audit Services. The Interim Head of Financial Services reported that for some

years, it had been recognised that by itself Great Yarmouth was too small to be able to maintain an effective in-house service. More recently there had been a series of county-wide discussions to look at the potential for shared service arrangements for internal audit through joint working. The objectives of sharing services together “collaborating” are primarily to provide a better service that would benefit the local community. The Borough Council had decided to join the partnership led by South Norfolk District Council and members of the partnership also included Breckland and Broadland District Councils and the Broads Authority.

The Interim Head of Financial Services reported on the details for the procurement of the new contract and a number of firms had responded to the pre-qualification questionnaire and these were fully evaluated by Officers at South Norfolk District Council. As a result five organisations met the pre-selection criteria and had been invited to submit their tender and the tender documents were sent out on the 30 May. One organisation had since withdrawn from the process. The Committee was informed that completed tenders were due to be returned by the 9 July and following a detailed evaluation a short list of three firms will be asked to make a presentation in late July to a panel comprised of representatives from each authority. The Interim Head of Financial Services reported that the new framework contract covering all partner organisations will be let by South Norfolk District Council on the 1 October 2007 and would continue for an initial period of five years to the 30 September 2012 subject to the conditions of contract.

RESOLVED:

- (i) That it be noted that, under delegated powers, the Council has entered into a partnership of five authorities that are jointly tendering for a new internal audit framework contract that will be let by the lead authority, South Norfolk District Council, with effect from the 1 October 2007.
- (ii) That the arrangements for the procurement of the framework contract be noted.
- (iii) That the basis upon which the contract will be let and the financial implications be noted.

6. 2006/07 ACCOUNTS CLOSURE UPDATE

The Interim Head of Financial Services reported on the present position with regard to the 2006/07 Accounts Closure. Members were reminded that the Statement of Accounts Report would be tabled for consideration at the Council Meeting to be held on the 28 June 2007.

RESOLVED:

That the Committee’s thanks and appreciation be recorded to Mr M Gorrings, Interim Head of Financial Services, for all his work on behalf of the Council during his period of contract.

7. DATE OF NEXT MEETING

The Member Services Manager reported that the Audit Commission had requested that the Committee’s next scheduled date of the 10 September be amended to take place on Thursday, 27 September 2007.

RESOLVED:

That approval be given to the change of date of the Committee’s next meeting from the 10 to 27th September 2007.

8. CLOSURE OF MEETING

The meeting ended at 7.20 pm.