

**REPORT OF THE AUDIT AND CORPORATE  
GOVERNANCE COMMITTEE**  
**Meeting held on 29th June, 2007**

Membership:

Councillors: A.C.R. Chappell,(Chairman) M.J. Fishley, J.H.R. Goodwin,  
R Mills, R.H. Smith, A.M. Toon.

**STATEMENT OF ACCOUNTS FOR 2006/07**

1. The Committee has approved the Council's formal Statement of Accounts for 2006/2007 which is determined each year in accordance with the Chartered Institute of Public Finance (CIPFA) and Accountancy Code of Practice on Local Authority Accounting. The following outlines the changes to the 2006/07 Statement of Accounts:

(a) the removal of notional interest from the capital charges to services in the published accounts. This does not have an effect on the 'bottom line' charge to council tax but reduces the level of spend shown in services;

(b) there is a new set of core statements presented in a specified order and followed by a consolidated set of notes. The statements and their order of presentation are:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Recognised Gains and Losses
- Balance Sheet
- Cash flow statement

(c) the statements present the figures in a completely new way and the Council is also required to restate the figures for 2005/06 to enable a consistent comparison.

The next stage will be completion of the external Audit and final publication of the Accounts by 30th September 2007.

**MONITORING OFFICER'S REPORT**

2. The Committee has received a report about the Council's performance for 2006/07 with regard to complaints to the Ombudsman, "Whistleblowing" and the matters within the responsibility Head of Legal and Democratic Services as the Council's Monitoring Officer. The role of the Monitoring Officer is to ensure that the Council and its Members act with probity in accordance with the law and in its Constitution.

3. The Committee was provided with details about the following:
- (a) matters dealt with by The Complaints Panel;
  - (b) complaints investigated by The Local Government Ombudsman;
  - (c) the work of The Standards Committee;
  - (d) the Register of Gifts and Hospitality;
  - (e) the Register of Members Interests;
  - (f) Risk Management – the implications of changes in legislation or case law that may impact on the delivery of services or impose statutory duties on the Authority, and training for Officers and Members.

#### **AUDIT SERVICES ASSURANCE REPORT 2006/07**

4. Consideration has been given to the Audit Services Assurance Report which informs Members about the progress made in relation to the Audit Plan and draws attention to any key internal control issues. The report also updates Members on the actions or the current position on key issues raised for 2005/06 that require attention. The arrangements are in place to comply with good practice as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom. Five key issues were identified as being relevant to the Councils Statement on Internal Control and good progress is being made on the key issues identified in relation to 2005/06. Three key elements have effected the overall completion of the Audit Plan for 2006/07:
- (a) the level of time spent verifying performance indicators;
  - (b) the time taken to review the Council's fundamental systems; and
  - (c) the work required on the new DfES Toolkit.
5. The Audit Services review in relation to the Statement on Internal Control showed that the Council's procedures and protocols compared favourably with the CIPFA checklist and overall was found to be satisfactory. Eighteen key systems were reviewed with the majority receiving favourable reports. Management action is being taken in respect of the systems identified as having scope for improvement and the Committee will receive progress reports
6. Management responses to audit recommendations continue to be positive during the year with action being agreed in respect of 97%. Audit follow up work of previous recommendations on a sample basis showed that action was being taken on only 75% which is 6% lower than last year and does leave scope for improvement. Additional follow up work is being done by Audit Services and the Committee will be advised of the outcome. The Committee has adopted the Audit Plan for 2007/08, noting it represents best practice within the CIPFA Code of Practice for Internal Audit in Local Government. It is also an integral part of the Council's Internal Controls

procedures under the Comprehensive Performance Assessment Use of Resources, and highlights how the Council will comply with Standing Orders and Financial Regulations.

#### **THE COUNCIL'S STATEMENT ON INTERNAL CONTROL 2006-2007**

7 The Committee has discussed the work and process followed in relation to the completion of the Council's Statement on Internal Control and given approval to it. The CPA Use of Resources highlights the Criteria for judgement in relation to the Statement of Internal Control as follows:

- an appropriate member group has responsibility for review and approval of the Statement on Internal Control and considers it separately from the accounts (Level 2);
- the Council has conducted an annual review of the effectiveness of the system of internal control and reported on this in the Statement on Internal Control (Level 2);
- the sources of assurance to support the Statement on Internal Control have been identified and are reviewed by senior officers and members (Level 2);
- there are action plans in place to address any significant internal control issues reported in the Statement on Internal Control (Level 2);
- the Council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances (Level 3);
- the assurance framework provides members with information to support the Statement on Internal Control (Level 3);
- the assurance framework is fully embedded in the Council's business process (Level 4); and
- the Council can demonstrate corporate involvement in/ownership of the process for preparing the Statement on Internal Control (Level 4).

The Council currently scores 2 out of 4 for the Internal Control element of the Use of Resources Assessment in 2006 and is aiming to score at least 3 at the next assessment.

#### **AUDIT COMMISSION ANNUAL AUDIT AND INSPECTION LETTER 2005/06**

8. The Audit Commission's Annual Audit and Inspection Letter 2005/06 was noted. The report summarises the Audit Commission's assessment of the Council drawing on the findings and conclusions from their audit work and from analysis of the Council's performance and its improvement over the last year, as measured by the Comprehensive Performance Assessment. The Council was found to be improving adequately and maintaining its performance with improvements in priority areas such as safeguarding vulnerable children and helping more elderly adults to live at home. Accounts production is found to be good and timely and the systems of internal control and financial management have improved significantly in the year. The

Commission also recommends the steps to be taken in continued performance management, the need to continue to focus on improving service outcomes and ensuring a robust approach to benchmarking in all service areas together with appropriate monitoring and review.

#### **AUDIT SERVICES REPORT– TELEPHONE USAGE ACTION PLAN**

9. The Committee has received a progress report and action plan on work being undertaken arising on recommendation made by Audit Services in respect of telephone usage by the Council. This forms part of the current cost savings review being carried out.

#### **AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2007-2008**

10. The Committee has noted the Audit Commission's Audit and Inspection Plan for 2007-2008 which highlights the key statutes that govern the Commission's Audit and Inspection duties. The Committee has been provided with details of the Commission's estimated total fee and will be advised if any changes become necessary to it. With regard to CPA and inspection activity it was noted that the Audit Commission did not intend to carry out any service inspection during 2007/08. Work within this area will be covered in the annual Direction of Travel assessment, and liaison work between the Council and the Audit Commission, other inspectorates, Government Office and other key stakeholders. The Commission will complete a Use of Resources Assessment for 2007 which will focus on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services. Data quality work will be based on a three-stage approach covering:

- Stage 1 – management arrangements;
- Stage 2 – competencies check; and
- Stage 3 – risk based data quality spot checks of a sample of performance indicators.

11. The results of the work at Stage 3 will inform the Commission's CPA assessment and with regard to the Council's Best Value Performance Plan, the Commission is required to report on whether the Council has complied with legislation and statutory guidance in respect of its preparation and publication. The Commission has identified the following risks in terms of the 2006/07 financial statements:

- creating a GAAP compliant Revaluation Reserve to replace the Fixed Asset Restatement Account;
- potential revisions to accounting treatment for Waste Management PFI; and
- valuation of fixed assets and coding of intangible assets.

12. The Committee was also provided with the Commission's initial assessment of risk on use of resources and the reviews that would be undertaken.

**A.C.R. CHAPPELL  
CHAIRMAN  
AUDIT AND CORPORATE GOVERNANCE COMMITTEE**

**BACKGROUND PAPERS**

Agenda papers of the meeting of the Audit and Corporate Governance Committee held on 13th April 2007