FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

Minutes of a meeting of the Finance, Resources, Audit and Governance Committee of South Norfolk Council held at South Norfolk House, Long Stratton, on Thursday 28 June 2012 at 9.30 a.m.

Committee Members Present: Councillor M Edney - Chairman
Councillors K Billig, D Goldson, T Lewis, T Palmer and L Webster

Non - Appointed: Councillor D Bills, K Weeks, G Wheatley

Apologies: Councillor L Dale

Substitutes: Councillor C Kemp

Officers in Attendance: The Deputy Chief Executive, the Financial Services Manager, the Head of Internal Audit and, for part of the meeting, the Senior Management Accountant

Also in Attendance: Mr C Pettitt (from the Audit Commission)

1 REVIEW OF DRAFT STATEMENT OF ACCOUNTS

The Financial Services Manager presented the Draft Statement of Accounts for 2011/12 and after summarising the salient points, invited Members to comment on the draft.

It was suggested and agreed that the words “Subject to the Localism Act 2012” be added to the start of point 10 of the forward, to read “Subject to the Localism Act 2012, there have been no changes to statutory functions during 2011/12”.

In response to Members’ questions, officers explained the reasons for not including the impact of pension funds revenue accounts, due to their volatility and the large impact they would have on annual council tax bills. Members were informed that the pension fund figures were assessed each year and noted on the accounts but debited out rather than being reflected in final figures. The Financial Services Manager explained that these figures were assessed by the actuaries at each triennial review and the outcomes evaluated so that adjustments could be made.
Members queried the reported drop in the number of senior staff salaries in the Council but an increase shown in expenses. Officers explained that management costs overall had reduced but agreed to seek clarification of this point and also regarding the rise in the debtors figures for former housing tenant arrears.

Concerns were raised regarding the Government’s intention to reduce the Council Tax Support Grant which would replace the subsidy received for Council Tax Benefit. The Financial Services Manager assured Members that reserves had been set aside for this purpose and that the council’s liability would be in the region of £60K - £80K, the remainder falling to the community, the police and parishes. She also advised that reserves of £1.5M had been set aside until more information regarding changes to the National Non-Domestic Rates (NNDR) was received.

It was then

**RESOLVED:** To note the Draft Statement of Accounts subject to the amendment agreed above.

2 **REVIEW OF THE ANNUAL EFFECTIVENESS OF INTERNAL AUDIT**

The Head of Internal Audit presented her report which reviewed the effectiveness of Internal Audit. Having gone through the eight elements of Internal Audit’s performance and quality assurance framework, members were requested to consider whether there was reasonable evidence in support of Internal Audit’s effectiveness to then place reliance on subsequent audit opinions given elsewhere within the Committee agenda. The Committee was next invited to give feedback and comments to ensure that they were accepting of Internal Audit’s effectiveness.

Concerns were raised regarding the percentage of recommendations outstanding which had dropped from 90% to 70%. Officers re-assured Members that considerable action had been taken by management to address agreed audit recommendations, and their attention was drawn to the report which documented that the percentage of high priority audit recommendations being implemented had remained at 100% for the past two years, which was an excellent record. It was agreed that remaining recommendations would be closely monitored to confirm they were being properly addressed. It was further acknowledged by officers that additional action in relation to these recommendations had already occurred during Quarter 1 of 2012/13.

In response to questions regarding Sundry Debtors, the Financial Services Manager stressed that the identified deterioration in the system of internal control from “adequate” to “limited” in 2011/12 had been as a result of a lack of actions which had coincided with one member of staff who was no longer employed by South Norfolk Council. She added that staff were dealing with the issues and backlog, and further re-assured Members that the problems were known and were being addressed. She also responded to a query regarding procurement and advised that this was also being addressed and had improved considerably since the time of reporting.

It was suggested that Cabinet should be advised to include progress on debtors work in its performance monitoring for the current year. Members agreed this should be recommended to Cabinet.
RESOLVED: 1. To recommend approval of the Head of Internal Audit’s report to Cabinet.

2. To recommend that Cabinet monitors progress in improving the Council debtors work.

3 HEAD OF INTERNAL AUDIT’S ANNUAL REPORT AND OPINION FOR 2011/12

The Head of Internal Audit presented her Annual Report and Opinion which detailed the outcomes of the Internal Audit work undertaken in 2011/12, and had led to the awarding of an adequate opinion in relation to standards of internal control at the Council, and a separate adequate assurance level being given to Corporate Governance arrangements and systems of Risk Management. In terms of the levels of assurances applied to both individual audits and to the overall internal control environment, it was explained that “adequate” and “good” were positive outcomes, whereas “limited” and “unsatisfactory” were where improvements were deemed necessary.

In response to a query regarding the robustness of the council’s computer infrastructure, officers re-assured Members that the council’s business continuity arrangements were well managed, and this had been independently confirmed by audits undertaken in this area over the last 3 years, which had resulted in “adequate” assurances being provided.

Regarding Risk Management, it was suggested that all Cabinet Members and Deputy Cabinet Members should attend any risk management training provided by South Norfolk Council.

RESOLVED: To note the Internal Audit’s Annual Report and Opinions for 2011/12, and recommend that Cabinet give its approval to the document and the use of its contents to inform the Council’s Annual Governance Statement.

4 ANNUAL GOVERNANCE STATEMENT

The Financial Services Manager presented the report to members, explaining that the Statement was a reflection of the Council’s overall governance arrangements and that there was no requirement to sign the Annual Governance Statement until the Finance, Resources, Audit and Governance Committee meeting in September 2012.
It was suggested and agreed that the wording regarding the Localism Act should be changed

“To ensure the Community is engaged with the delivery of services…”

to:

“To ensure communities are engaged with the delivery of services…”

It was also agreed that the wording regarding decisions should be changed from:

“Decisions to be taken by Members are subject to a rigorous scrutiny process by the Monitoring Officer……..”

to:

“Decisions to be taken by Members were first subject to a rigorous scrutiny process by the Monitoring Officer……..”

It was then

**RESOLVED:** To recommend to Cabinet the approval of the Annual Governance Statement for 2011/12, for insertion into the Draft Statement of Accounts 2011/12, subject to minor amendments.

### 5 HEAD OF INTERNAL AUDIT’S ANNUAL REPORT AND OPINION FOR CNC BUILDING CONTROL FOR 2011/12

The Head of Internal Audit presented her report, which summarised the audit work performed during the year in respect of CNC Building Control, and provided the organisation with an opinion on the internal control environment, systems of risk management and corporate governance arrangements operating at the CNC Building Control Partnership. Members noted that the internal control system at CNC was deemed to be adequate, whilst the Partnership’s arrangements in respect of Corporate Governance and Risk Management had received a limited audit opinion.

A brief discussion followed regarding the operational changes which might come into effect, should agreement be given at the meeting of South Norfolk Council’s Full Council on 16 July 2012, whereby CNC would be hosted by South Norfolk Council. It was generally felt that this would improve efficiency and governance generally, enabling the organization to operate in a more commercial, businesslike manner.

It was then

**RESOLVED:** To recommend the Head of Internal Audit’s Annual Report and Opinion for CNC Building Control for 2011/12 to Cabinet for approval.
6 UPDATE ON THE FUTURE OF EXTERNAL AUDIT WITHIN SNC

Mr C Pettitt gave a brief oral update on the future of External Audit within South Norfolk Council, advising Members that fees for external audit would be reduced by 40% on earlier years and this would be fixed for a period of five years. He advised Members that he had been given assurances that the arrangements for the transition of services to Ernst and Young should be smooth.

In response to questions from Members, Mr Pettitt advised that the Audit Commission would still play a minor role due to regulations, and would also operate a technical department for Auditors.

Members welcomed the reduction in fees for the services although Mr Pettitt further clarified that the fees were for the basic audit work on the Financial Statements, explaining that any further investigations necessary in the audit of grant claims might incur higher costs.

7 FUTURE WORK OF THE FINANCE, RESOURCES, AUDIT AND GOVERNANCE COMMITTEE

The Chairman reminded members that the work programme was set by Cabinet. The role of policy committees should be to support the development of policies in the future, and the Committee would be reviewing policies relevant to the portfolio. Cllr G Wheatley advised that he would be consulting with officers and making recommendations to Cabinet.

The meeting concluded at 11.40am

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Chairman