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 Friday 28 June 2013 at 9.30 am.

Committee Members Present: Councillor M Edney (Chairman)
Councillors K Billig, L Dale, D Goldson, T Palmer and L Webster

Apologies: Councillor T Lewis

Substitute: Councillor M Gray

Non - Appointed: Councillor G Wheatley

Officers in Attendance: The Head of Finance (D Lorimer), the Internal Audit Consortium Manager (S King), the Compliance & Risk Manager (L Mickleborough), the Commissioning Manager (V Hunt) and the Senior Accountant (J Brown).

21 MINUTES

The minutes of the meeting held on 7 March 2013 were confirmed as a correct record and signed by the Chairman.

Arising from minute number 17 Cllr Palmer enquired when the Committee would be hearing from the Compliance and Risk Manager with regard to the Scrutiny Committee’s recent review of on-street parking. The Compliance and Risk Manager confirmed that she would look into the situation and advise members at the next meeting.

22 REVIEW OF DRAFT STATEMENT OF ACCOUNTS 2012/13

The Head of Finance presented the Draft Statement of Accounts for 2012/13 and advised members that this had been prepared earlier than usual this year. As a result there were a number of proposed amendments to the draft to be considered by members and these were tabled at the meeting.

The amendments were explained to the Committee. The Head of Finance then summarised the salient points in the draft Statement of Accounts and invited comments from members.
It was suggested that due to the complex nature of the draft Statement of Accounts, members might benefit from some guidance in the form of a training session with Accountancy staff. The Head of Finance offered to provide a session for members to give an overview and clarification of the draft, with the date to be arranged.

The Head of Finance confirmed that the reason for some of the changes in terminology throughout the draft were to provide consistency with the Code of Practice on Local Authority Accounting in the UK 2012/13 – enabling South Norfolk to be easily compared with other authorities.

In response to members’ questions, officers explained the reasons why the movements around the value of the pension fund were accounted for in accordance with the code of practice. To reflect volatility of the value of the pension fund through the Comprehensive Income and Expenditure Account would have a considerable impact on the annual council tax bills. Members were informed that this was a ‘theoretical’ calculation that was assessed each year and noted on the accounts but debited out rather than being reflected in final figures. The Head of Finance explained that these figures were assessed by the actuaries at each triennial review and the outcomes evaluated so that future funding adjustments could be made.

RESOLVED: To note the Draft Statement of Accounts subject to tabled amendments.

23 WHISTLEBLOWING POLICY AND COUNTER FRAUD, CORRUPTION AND BRIBERY STRATEGY

The Internal Audit Consortium Manager presented the report to the Committee highlighting key areas and questions/comments were invited from members.

Members brought officers’ attention to a small number of typographical errors and other minor amendments to the document and these were noted by the Internal Audit Consortium Manager for adding to the Policy and Strategy, in advance of them being taken forward to Cabinet.

Cllr K Billig queried whether staff were made fully aware of the false claims for payment that were being made to businesses where fraudulent invoices were being circulated. There was then some discussion regarding these types of frauds and reference was made to mechanisms in place to protect the Council from such incidents. The Internal Audit Consortium Manager further confirmed that the Council’s Senior Investigation and Enforcement Officer received National Anti Fraud Network Alert Bulletins, circulating copies of these as well as details therein to key Council staff to ensure their vigilance in relation to such matters. The Head of Finance added that Finance and Payments staff were fully informed about such issues, and that sufficient safeguards were in place through the purchase order system to limit concern about such payments being made.

Responding to member’s questions linked to the Counter Fraud, Corruption and Bribery Strategy and recruitment of staff (particularly the checking of references and qualifications prior to engagement), the Head of Finance confirmed that with regard to ensuring the propriety and integrity of potential employees the Council used a preferred recruitment agency for general staff and specialist agencies for specialist staff (such as accountants).
RESOLVED: • To note the changes to the Whistleblowing Policy and endorse the Policy subject to agreed amendments
• To note the changes to the Counter Fraud, Corruption and Bribery Strategy and endorse the Strategy subject to agreed amendments

24 REPORT ON COUNTER-FRAUD ACTIVITY, 2012-13

The Compliance and Risk Manager introduced the report, advising members that the Council’s systems in place to prevent and detect fraud were effective and that only very low levels of risk had been detected.

The Committee was advised that the areas of highest potential risk were with regard to benefits claims and procurement, and that much work had been concentrated on procurement in particular to improve the prevention and detection of fraud.

RESOLVED: To endorse the Annual Report on Fraud Activity

25 SOUTH NORFOLK COUNCIL’S ANNUAL AUDIT REPORT AND OPINION FOR 2012/13

The Internal Audit Consortium Manager presented her Annual Report and Opinion which detailed the outcomes of the Internal Audit work undertaken in 2012/13.

Members were advised that the format of the report had been revised from that adopted in previous years, to satisfy the mandatory annual reporting requirements of the new Public Sector Internal Audit Standards (effective from 1 April 2013). Examples were then given as to how the report had been expanded to meet specific elements of the new Standards. It was additionally emphasised that a change of methodology to work carried out to support the preparation of the Annual Governance Statement had resulted in an increased number of audit opinions being generated. Under previous arrangements, 16 separate opinions would have been forthcoming, whereas new working practices adopted had culminated in 23 assurances being produced.

The Committee heard that the Council had been awarded an ‘adequate’ assurance in respect of the overall adequacy and effectiveness of the Council’s governance, risk and control framework for the year ending 31 March 2013.

Members discussed some of the individual assurance levels that had been awarded, and there was some focus on the 4 areas where limited assurances had been given, although it was noted that agreed audit recommendations associated with these particular reviews were being appropriately actioned to strengthen internal control weaknesses identified.

Members thanked the Internal Audit Consortium Manager for all the Internal Audit work completed in year, which was noted in the report and used to derive the annual opinion.
RESOLVED: To note the Internal Audit Consortium Manager’s Annual Report and Opinion for 2012/13, and recommend that Cabinet give its approval to the document and the use of its contents to inform the Council’s Annual Governance Statement.

26 ANNUAL GOVERNANCE STATEMENT

The Head of Finance presented the report to members, explaining that because the Annual Review of the Effectiveness of Internal Audit was not yet available, members were not able to fully approve the Annual Governance Statement at this stage, however she would appreciate members’ input to the document for the time being.

Members were advised 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 2013.

Responding to members’ questions, the Head of Finance confirmed that the Statement would be forwarded to the Council’s external auditors shortly.


27 INTERNAL AUDIT CONSORTIUM MANAGER’S ANNUAL REPORT AND OPINION FOR CNC BUILDING CONTROL FOR 2012/13

The Internal Audit Consortium Manager presented her report, which summarised the audit work performed during the year in respect of CNC Building Control, and provided 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 overall adequacy and effectiveness of the governance, risk and control framework at CNC was deemed to be limited.

Members were also informed that where agreed audit recommendations were noted as outstanding at year end, improvements to systems of internal control had been progressing well in the first quarter of the new financial year, following the re-hosting of the service, migration to IDOX and UNIFORM systems, transfer to South Norfolk Council’s financial systems, and general integration with the Council’s processes with regards to creditors, payroll, and income control.

RESOLVED: To recommend the Internal Audit Consortium Manager’s Annual Report and Opinion for CNC Building Control for 2012/13 to Cabinet for review and endorsement.
28 AUDIT PROCUREMENT

The Commissioning Manager updated members on the latest position with regard to the process of procuring a new audit contractor to work under the Internal Audit Consortium Manager. The Committee was informed that officers were involved in discussions with potential new partners, and that this was an exciting new phase which could potentially bring significant business benefits to the audit consortium.

Members were advised that the procurement process would end in October 2013 (best case) or January 2014 (worse case) and that it may be necessary to slightly extend the existing contract or make use of a framework until the procurement was complete.

Responding to members’ questions, the Commissioning Manager confirmed that the Council was providing officer time in respect of the procurement process both for technical leadership and programme management, while the other members of the consortium were each contributing £5,000 towards the cost of backfilling the necessary staff resources and advisor costs.

Members noted the progress made and thanked the officers for the work carried out so far.

29 FINANCE, RESOURCES, AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

Members discussed the Finance, Resources, Audit & Governance Committee’s work programme and were advised that there would be an informal meeting in September (date to be confirmed) to include a Risk Management workshop and the Review of the Debt Management Policy.

Members were also advised that items would be brought to a future meeting of the Committee on the Local Audit and Accountability Act and a further update on the Internal Audit Procurement.

The meeting concluded at 11.15 am

________________________
Chairman