Report of the
Service Director Finance

Agenda Item No:
Meeting: 30 June 2009

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT COMMITTEE – FORWARD PLAN AND ASSURANCE MAP 2009/2010

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To ask Members to approve the forward plan of reports for 2009/2010 and consider whether the assurances indicated against the plan provide adequate coverage to allow the Audit Committee to fulfil its terms of reference.

2. BACKGROUND INFORMATION

2.1. External Audit's Annual Audit and Inspection Letter was reported to the Audit Committee on 20th April. It made specific recommendations relating to the council's Audit Committee arrangements. The report highlighted how the Committee's functions could be carried out more effectively. Key issues to address include:

- the need for a clearer focus on the purposes of the Committee
- the absence of an assurance based plan; and
- reports to the Committee are considered for information only, with no focus on assurance.

2.2 Work has already started to address these issues. Reports to the Committee have been strengthened in terms of the level and scope of the assurance they aim to provide to the Committee; and recommendations are more explicit about assurance provided. The Audit Committee's terms of reference are reviewed each year and suggested amendments are reported elsewhere on this agenda.

2.3 Appendix A shows the categories and level of assurance the Audit Committee need to fulfil its terms of reference and culminating in the approval of the council's accounts and Annual Governance Statement. A forward plan of reports has been compiled for the Audit Committee to consider (Appendix B). New reports for the Committee are:

- Value for Money reports – updates on the council's arrangements for achieving VFM will be reported in September and March.
- Treasury Management – the Treasury Management and Investment Strategy Annual Report 2008/09 will be reported in June and

quarterly reports highlighting investments, interest and any salient issues as they arise.

The current forward plan of reports is prepared part way through the 2009/2010 financial year but is indicative of future forward plans that will be prepared for the Audit Committee to consider and approve prior to the start of each financial year.

2.4 The plan also shows the assurance each report will provide to allow the Audit Committee to fulfil its terms of reference. In addition to categories of assurance provided the forward plan also shows whether the source of assurance is primary or supporting.

3 OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether the forward plan for 2009/2010 provides sufficient scope to obtain assurance on the adequacy of the council's internal control and governance arrangements to fulfil its terms of reference. The Committee may wish to ask questions and seek clarification as necessary. If it concluded that it does provide sufficient scope to obtain assurance the Committee is invited to approve the forward plan for 2009/2010.

3.2 The Committee may decide not to approve or amend the forward plan for 2009/2010.

4. ANALYSIS OF OPTIONS

4.1 The forward plan addresses external audit's recommendations and is designed to provide this Committee with sufficient scope to gain adequate assurance to fulfil their role as set out in the Committee's terms of reference.

4.2 The option set out in paragraph 3.2 represents an opportunity missed to receive important sources of assurance to assist the Audit Committee to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY.IT)

5.1 There are no additional resources implications.

5.2 Regular reviews of internal control and governance arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. There are no staffing, property or IT implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

6.1 The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs. The council also has a duty under the Local

Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The requirement for an Annual Governance Statement is set out in the Accounts and Audit Regulations 2003 and reporting requirements are set out in the Accounts and Audit (Amendment) (England) Regulations 2006.

6.2 Processes that underpin the Annual Governance Statement support excellent service delivery, enhance risk management arrangements and promote good corporate

7. OUTCOMES OF CONSULTATION

7.1 The forward plan for 2009/2010 is the result of consideration of professional guidance and discussions between the Service Director Finance,Audit and Risk Manager and External Audit.

8. RECOMMENDATIONS

8.1 The Audit Committee should consider whether the forward plan for 2009/2010 provides sufficient scope to provide an appropriate level of assurance on the adequacy of the council's internal control and governance arrangements.

8.2 That the forward plan for 2009/2010 is approved.

SERVICE DIRECTOR FINANCE

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Background Papers used in the preparation of this report
Audit Committee Report – Annual Audit and Inspection Letter - April 2009

APPENDIX A

AUDIT COMMITTEE – TERMS OF REFERENCE

The Audit Committee must receive sufficient assurance in the following areas to enable them to fulfil their terms of reference

Delegated Audit Activity	Assurances
(a) To consider the head of internal audit's annual report and opinion, a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.	Strong internal control environment & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved.
(b) To consider significant issues arising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale.	Strong internal control environment & financial controls. . Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved.
(c) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. This includes reports dealing with the management and performance of the internal audit service.	Strong internal control environmental control & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved.
(d) To consider specific reports as agreed with the external auditor.	Strong internal control environment & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved
(e) To comment on the scope and depth of external audit work and to ensure it gives value for money.	Strong internal control environment & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved
(f) To liaise with the Audit Commission over the appointment of the council's external auditor.	Strong internal control environment & financial controls.

Regulatory Framework	Assurance
(a) To maintain an overview of the council's constitution and governance arrangements in respect of contract procedure rules and financial regulations.	Strong internal control environment & financial controls. Good governance arrangements. Accurate financial statements that meet professional standards.
(b) To monitor the effectiveness of the council's risk management arrangements. This includes: • monitoring and reviewing the Strategic Risk Management Group's facilitation role in maintaining and developing the risk management framework in accordance with best practice. • approval of the risk management strategy • consideration of progress reports throughout the year.	Significant risks to the council are adequately managed.
(c) To monitor the council's anti-fraud and anti-corruption strategy (including the Whistle Blowers' Charter).	Effective counter fraud arrangements.
(d) To oversee the production of the council's Annual Governance Statement and adopt it as part of the council's accounts.	Strong internal control environment & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved.
(e) To consider the council's arrangements for corporate governance and agreeing necessary action to ensure compliance with best practice.	Good governance arrangements
(f) To consider the council's compliance with its own and other published standards and controls.	Strong internal control environment & financial controls. Good governance arrangements.Accurate financial statements that meet professional standards.
(g) To monitor the effectiveness of VFM arrangements throughout the council.	Value for money is achieved.
(h) To maintain an overview of the council's treasury management arrangements	Strong internal control environment & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. . Significant risks are adequately managed. Value for Money is achieved.

Accounts	Assurance
(a) To review and/or approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	Accurate financial statements that meet professional standards.
(b) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	Strong internal control environment & financial controls. Effective Counter Fraud arrangements. Good Governance arrangements. Accurate Financial Statements that meet Professional Standards. Significant risks are adequately managed. Value for Money is achieved.

Appendix B

Audit Committee Forward Plan and Assurance Map 2009/2010

Types of Assurance: P = Primary (provides an opinion on the adequacy of arrangements)
S = Supporting (describes work planned or in progress from internal sources or implied assurance from external audit/inspectorates)

Meetings and reports	Audit Committee Assurances					
	Effective Counter Fraud Arrangements	Strong Internal Control Environment & Financial Controls	Good Governance Arrangements	Accurate Financial Statements that meet Professional Standards	Significant risks to the council are adequately managed	Value for Money is Achieved
April 2009						
Risk Management Strategy- the council's risk management arrangements including work schedule for the coming year and progress against previous year's work plan.	S	S	S	S	P	
Internal Audit Plan – to approve Internal Audit's terms of reference, strategy and audit plan based on a risk based approach to audit planning and planned audit coverage of high risk systems for 2009/2010	S	S	S	S	S	S
Internal Audit Progress report – audit plan progress, response to audit recommendations and significant issues arising from Internal Audit work which could impact on the council's control environment		S	S	S	S	S
Risk Management Progress Report – significant current or emerging risk management issues which could impact on the council's control environment		S	S	S	S	

Meetings and reports	Audit Committee Assurances					
	Effective Counter Fraud Arrangements	Strong Internal Control Environment & Financial Controls	Good Governance Arrangements	Accurate Financial Statements that meet Professional Standards	Significant risks to the council are adequately managed	Value for Money is Achieved
Anti Fraud Theft & Corruption Strategy and Counter Fraud Work –to approve the updated AFT&C Strategy and receive details of proactive and reactive work undertaken by Internal Audit and Benefits Fraud Team in support of the council's Anti Fraud Theft and Corruption Strategy	P	S	S	S	S	S
External Audit Recommendations Progress Report evaluates the adequacy of management's response to external audit recommendations and improving the council's control environment	S	S	S	S	S	S
Grant Claims 2007/08 – to report the outcome of external audit's review on the council's arrangements for claiming grants in 2007/08	S	S	S	S	S	S
External Audit Fees Letter 2009/2010 – to provide details of external audit's proposed work and fee for the 2009/2010 audit	S	S	S	S	S	S
Use of Resources Judgement 2008- to report the Auditors Judgement score for 2007/08	S	S	S	S	S	S
Accounting policies – to seek approval on the accounting policies that the council will use to close the 2008/09 accounts		S	S	P		
Annual Audit and Inspection Letter- provides an overall summary of the Audit Commission's assessment of the council, drawing on audit, inspection and performance assessment work	S	S	S	P	S	P

Meetings and reports	Audit Committee Assurances					
	Effective Counter Fraud Arrangements	**Strong Internal Control Environment & Financial Controls**	**Good Governance Arrangements**	**Accurate Financial Statements that meet Professional Standards**	**Significant risks to the council are adequately managed**	**Value for Money is Achieved**
June 2009						
Internal Audit Effectiveness Report – provides an assessment of the effectiveness of Internal Audit's work as a major source of assurance. This includes compliance with professional standards and the adequacy of audit performance and coverage.	**P**	**P**	**P**	**S**	**S**	**P**
Internal Audit Annual Report –provides an opinion on the adequacy of the council's control environment and a summary of significant issues arising from Internal Audit's work to support the evaluation. Brief summaries are provided of all fundamental financial systems and key systems such as risk management and corporate governance.	**P**	**P**	**P**	**S**	**S**	**S**
Annual Governance Statement – presents a detailed evaluation of the adequacy of the council's governance arrangements and highlights any areas of significant governance weakness for approval by the Audit Committee.	**P**	**P**	**P**	**P**	**P**	**P**
Risk Management Progress Report – significant current or emerging risk management issues which could impact on the council's control environment		**S**	**S**	**S**	**S**	
Statement of accounts – presents the council's accounts for approval and highlights key messages and outcomes.				**P**		

Meetings and reports	Audit Committee Assurances					
	Effective Counter Fraud Arrangements	**Strong Internal Control Environment & Financial Controls**	**Good Governance Arrangements**	**Accurate Financial Statements that meet Professional Standards**	**Significant risks to the council are adequately managed**	**Value for Money is Achieved**
Treasury Management and Investment Strategy Annual Report 2008/09– to provide a summary of performance on the previous years TM activities including measures taken during the year in response to changing circumstances and additional measures planned for 2009/2010 to improve arrangements in light of professional and governmental advice available.	**S**	**P**	**S**		**P**	**S**
International Financial Reporting Standards – update on the progress made on the project		**S**	**S**	**S**		
Sept 2009						
Internal Audit Progress report – audit plan progress, response to audit recommendations and significant issues arising from Internal Audit work which could impact on the council's control environment		**S**	**S**	**S**	**S**	
Risk Management Progress Report – significant current or emerging risk management issues which could impact on the council's control environment		**S**	**S**	**S**	**S**	
Counter Fraud Report –proactive and reactive work undertaken by Internal Audit and Benefits Fraud Team in support of the council's Anti Fraud Theft and Corruption Strategy	**P**	**S**	**S**	**S**	**S**	**S**
External Audit Recommendations Progress Report – evaluates the adequacy of management's response to external audit recommendations and improving the council's control environment	**S**	**S**	**S**	**S**	**S**	

Meetings and reports	Audit Committee Assurances					
	Effective Counter Fraud Arrangements	**Strong Internal Control Environment & Financial Controls**	**Good Governance Arrangements**	**Accurate Financial Statements that meet Professional Standards**	**Significant risks to the council are adequately managed**	**Value for Money is Achieved**
Audit of Accounts – External Audit's report to those charged with governance on significant issues arising from the audit of the council's accounts. This includes an audit opinion on whether the accounts are 'fairly stated' and meet professional accounting requirements	**S**	**S**	**S**	**P**	**S**	**S**
Treasury Management quarterly progress report - to detail investments, interest and highlight salient issues as they arise	**S**	**S**	**S**	**S**	**S**	**S**
January 2010						
Internal Audit Progress report – audit plan progress, response to audit recommendations and significant issues arising from Internal Audit work which could impact on the council's control environment. The report includes the review of Strategic Risk controls.	**S**	**S**	**S**	**S**	**P**	
Risk Management Progress Report – significant current or emerging risk management issues which could impact on the council's control environment		**S**	**S**	**S**	**S**	
Counter Fraud Policies and Standards – to report on the outcome of a review of the Anti Fraud Theft and Corruption Strategy and evaluation of the council's counter fraud arrangements against best practice	**P**	**S**	**S**	**S**	**S**	**S**
Use of Resources Judgement 2009- to report the Auditors Judgement score for 2008/09	**S**	**S**	**S**	**S**	**S**	**S**
Treasury Management quarterly progress report - to detail investments, interest and highlight salient issues as they arise	**S**	**S**	**S**	**S**	**S**	**S**

Meetings and reports	Audit Committee Assurances					
	Effective Counter Fraud Arrangements	Strong Internal Control Environment & Financial Controls	Good Governance Arrangements	Accurate Financial Statements that meet Professional Standards	Significant risks to the council are adequately managed	Value for Money is Achieved
International Financial Report Standards –update on the progress made on the project		S	S	S		
Value For Money – updates on the council's arrangements for achieving VFM						S

Culmination of assurances to support the approval of the Statement of Accounts and Annual Governance Statement