

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON WEDNESDAY 28 NOVEMBER 2012 FROM 7PM TO 7.55PM**

Present:- Barrie Patman (Vice Chairman in the Chair), Guy Grandison and Paul Swaddle

Also present:-

<i>Mark Catlow</i>	<i>Senior Manager, Ernst & Young</i>
<i>Graham Ebers</i>	<i>Strategic Director Resources</i>
<i>Maria Grindley</i>	<i>Audit Director, Ernst & Young</i>
<i>Sarah Hydrie</i>	<i>Senior Internal Auditor</i>
<i>Martin Jones</i>	<i>Planning Accountant-Corporate Finance (up to item 38)</i>
<i>Penny Knowles</i>	<i>Senior Internal Auditor</i>
<i>Vicky Jackson</i>	<i>Senior Investigations Officer</i>
<i>Stephen McGrail</i>	<i>Interim Group Finance Manager (up to item 38)</i>
<i>Muir Laurie</i>	<i>Director of Business Assurance and Democratic Services</i>
<i>Paul Ohsan Ellis</i>	<i>Internal Audit Manager</i>
<i>Madeleine Shopland</i>	<i>Principal Democratic Services Officer</i>
<i>Adam Swain</i>	<i>Executive, Ernst & Young</i>

PART I

26. MINUTES

The Minutes of the meeting of the Committee held on 26 September 2012 were confirmed as a correct record and signed by the Chairman.

27. APOLOGIES

An apology for absence was submitted from John Halsall, Philip Mirfin and Beth Rowland.

28. DECLARATION OF INTEREST

There were no declarations of interest made.

29. PUBLIC QUESTION TIME

There were no public questions.

30. MEMBER QUESTION TIME

There were no Member questions.

31. EXTERNAL AUDIT ANNUAL AUDIT LETTER 2011/12 (AUDIT COMMISSION)

The Committee considered the External Audit (Audit Commission) Annual Audit Letter 2011/12.

During the discussion of this item the following points were made:

- The letter summarised the Audit Commission's 2011/12 audit of the Council and included the high-level messages detailed in the Audit Commission's Annual Governance Report which was presented to the Audit Committee on 26 September 2012.
- An unqualified opinion on the financial statements for the year ending 31 March 2012 had been issued by the District Auditor. He had also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

RESOLVED That the Audit Commission's 2011/12 Annual Audit Letter be noted.

32. TREASURY MANAGEMENT MID YEAR REPORT 2012/13

Members considered the Treasury Management Mid Year Report 2012/13.

During the discussion of this item the following points were made:

- The Strategic Director of Resources introduced the Planning Accountant – Corporate Finance and the Interim Group Finance Manager.
- Members were reminded that the Treasury Management Mid Year Report 2012/13 was a requirement of the Council's reporting procedures. The report detailed the Council's treasury activity during the first half of 2012/13 and the actual Prudential Indicators for this period.
- The Council had complied with its Treasury Management Strategy and the prudential indicators that were set prior to the financial year.
- A Technical Adjustment had been required to the Capital Financing Requirement (CFR). However, this had not impacted on the control environment.
- The Interim Group Finance Manager commented that low borrowing costs were anticipated for at least the next two years. Whilst the money the Council made on investments had reduced, it was making more savings on long term loans.
- Councillor Swaddle asked whether the figure against the Bulmershe School – Improvement Scheme in a table of a breakdown of the Children's schemes to be carried forward into 2013/14 gave the total figure for the scheme. The Planning Accountant – Corporate Finance confirmed that the £2,440,000 figure given represented what would be taken forward to the next financial year.
- The Strategic Director of Resources commented that given the current economic uncertainty, a cautious approach would continue to be taken.

RESOLVED That

- 1) the mid year Treasury Management report for 2012/13 be noted;
- 2) the actual 2012/13 prudential indicators within the report be noted;
- 3) that the Treasury Management Mid Year Report 2012/13 be recommended to Council for approval;
- 4) the technical adjustment to the Capital Financing Requirement (CFR) and that this will be reported to Executive with in the year end statement be noted.

33. ENTERPRISE RISK MANAGEMENT POLICY AND GUIDANCE

The Committee examined a report on the Enterprise Risk Management Policy and Guidance.

During the discussion of this item the following points were made:

- The Enterprise Risk Management Policy and Guidance had been subject to a high level review and had been taken to Corporate Leadership Team for consultation before being presented to the Audit Committee.
- The most significant change that had been made was to the risk management guidance criteria. On the impact scores the wording for the highest level of impact (8) has been changed from 'catastrophic' to 'critical'; the definition remain unchanged. The wording of the next level of impact (6) had been amended to read 'critical' instead of 'major.'

- The date of when a risk was removed would be included in future risk register updates.
- Councillor Swaddle asked that tracked changes be included when the document was refreshed or updated so that Members could see what changes have made as part of the review. The Director Business Assurance and Democratic Services indicated that this would be considered and a copy of any tracked changes could be distributed to the Committee prior to each meeting. Councillor Patman stated that it would be helpful to put risks into context.
- Councillor Grandison questioned whether flooding should be included on the Corporate Risk Register. The Director of Business Assurance and Democratic Services stated that Business Continuity had previously been included on the Corporate Risk Register but was now included on the appropriate Service Risk Register.

RESOLVED That

- 1) the updated Enterprise Risk Management Policy be approved;
- 2) the updated Enterprise Risk Management Guidance be approved.

34. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT AND COUNTER FRAUD ARRANGEMENTS 2012

Sarah Hydrie, Senior Internal Auditor presented the review of the Effectiveness of Internal Audit and Counter Fraud Arrangements 2012 to the Committee.

During the discussion of this item the following points were made:

- Business Assurance conducted an in-house on the effectiveness of the internal audit arrangements on an annual basis. This year an assessment of the Council's counter fraud service delivered by the Business Assurance Investigations team had also been included in the review. Internal Audit's compliance against the IIA Standards and the CIPFA Code of Practice and the controls in place for the prevention, detection and investigation of fraud and corruption had been assessed.
- Overall a 'Good' level of assurance had been achieved.
- Sixteen recommendations had been made. Of these only one was high priority. It was noted that this recommendation, 'An up-to-date IA and Investigations Strategy should be produced, which focuses on both the present state and future direction of Business Assurance' was being addressed.
- The Committee were pleased to note that the majority of recommendations were low priority.
- Councillor Grandison congratulated Sarah Hydrie on a very good piece of work.
- Sarah commented that good progress was being made in developing the Business Assurance Strategy and a clear process was in place.

RESOLVED That the Review of the Effectiveness of Internal Audit and Counter Fraud Arrangements 2012/13 report be noted.

35. BUSINESS ASSURANCE DRAFT STRATEGY 2013 TO 2017

The Committee considered the Business Assurance Draft Strategy 2013 to 2017.

During the discussion of this item the following points were made:

- It was proposed that the Business Assurance Strategy 2013-2017 be a one page document in line with the Council's lean thinking approach.

- The Strategy outlined a Vision for Business Assurance to achieve in 2013-2017 and Strategic Objectives to facilitate its achievement.
- The Strategy would form a core part of the Business Assurance service plan. The team was already starting to use and work to the terms within the document. The Strategy could also be put up within the Business Assurance office and on Grapevine, to ensure that its message was accessible to staff.
- Councillor Patman questioned whether the strategic objectives would be absorbed into appraisal objectives. The Director of Business Assurance and Democratic Services indicated that the Business Assurance team's appraisals would include targets to establish how they were meeting with the strategic objectives set out in the Strategy. The Audit Committee would be kept updated on the progress made against the objectives.
- External Audit stated that strategy documents varied between local authorities.
- The Committee confirmed that they were happy that the Business Assurance Draft Strategy 2013 to 2017 be presented as a one page document.
- The Strategic Director of Resources commented that that the one page document was a good means of getting Business Assurance's message across to staff. He went on to state that offering effectiveness and efficiency should not just be limited to through information technology and that providing independence and objectivity in order to provide a check and balance, should be included.

RESOLVED That the Business Assurance Draft Strategy 2013 to 2017 be noted.

36. BUSINESS ASSURANCE PROGRESS REPORT: QUARTER 2 2012/13

The Committee received the Business Assurance Progress Report: Quarter 2 2012/13.

During the discussion of this item the following points were made:

- The report detailed the Business Assurance work in the period 23 August to 26 October 2012.
- It was noted that a key of the priority levels had been added to the tables of Business Assurance Reviews at Appendix A to the report.
- The Key Performance Indicators were performing broadly as expected. Key Performance Indicator 6 – Sanctions Applied, was currently underperforming. From 1 April to 26 October 2012 a total of 10 sanctions had been applied against a target of 15. It was expected that this target would be achieved by the end of the financial year.

RESOLVED That the Business Assurance Progress Report for October 2012 be noted.

37. WORK PROGRAMME 2012/13

The Committee considered the updated Work Programme 2012/13. It was noted that the Work Programme had been circulated to External Audit who had had no further items to add.

RESOLVED That the Work Programme 2012/13 be noted.

These are the Minutes of a Meeting of the Audit Committee

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