

Audit Committee

Wednesday, 23rd March, 2011
6.03 - 7.20 pm

Attendees	
Councillors:	Bernard Fisher, Rowena Hay, Robin MacDonald, Paul Massey (Vice-Chair, in the Chair) and Paul Wheeldon
Also in attendance:	Sara Freckleton (Borough Solicitor and Monitoring Officer), Jane Griffiths (Assistant Chief Executive), Councillor Colin Hay (Cabinet Member Corporate Services), Rob Milford (Audit Partnership Manager), Ian Pennington (KPMG) and Mark Sheldon (Chief Finance Officer)

Minutes

1. APOLOGIES

Councillor Wall had given apologies.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

The minutes of the last meeting had been circulated with the agenda.

The Chairman suggested that the last bullet point on page 2 of the minutes was rather vague and that it should specifically refer to the risk threshold for asset and property transactions which the committee thought may be too low.

Upon a vote it was unanimously

RESOLVED that the amended minutes of the meeting held on the 12 January 2011 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

None received.

5. PUBLIC INTEREST REPORT ACTION PLAN

The Borough Solicitor introduced the report as circulated with the agenda, which she was presenting on behalf of the Chief Executive.

All recommendations of KPMG and the Working Group had been fully completed or implemented with the exception of three actions set out in Appendix 1, which were in part but not yet fully completed.

The KPMG recommendation 8 (centralised log of decisions) had been delayed by the implementation of the new committee management system in the first

instance and research was ongoing into how or indeed whether, the system could be used to track decisions.

The implementation of risk management training, KPMG recommendation 16 had been delayed due to the Council's budget situation but was due for completion by the end of September.

In relation to the recommendations of the Working Group, members were informed that a revised Employee Code of Conduct had recently been approved by the Standards Committee. With regards to deputies, this would be addressed in the constitution as part of the full review scheduled for later in the year.

The Assistant Chief Executive elaborated on the decision tracking issue. The Committee Management system allowed for monitoring of decisions taken, these were logged and summarised on the website. The issue however, was that many decisions comprised numerous recommendations and as such it was not yet apparent how to track progress of individual items. Officers, having looked at how other authorities used the same system (Modern.Gov) had identified that none were actually tracking decisions to completion and rather than implement a time consuming alternative, research was ongoing. In time the intranet function of the system would be launched, allowing Officers outside of Democratic Services to logon to the system and mark a decision as complete.

She also confirmed that the e-learning package had been uploaded at the latter end of last week and was currently being tested, upon completion of which it would be available to Officers. The two stage implementation (Officers first and then Members) was in an effort to ensure its effectiveness but given the small number of members requiring the training, they could be included in the initial stage.

Upon a vote it was unanimously

RESOLVED that having reviewed progress against the actions, a further review be scheduled for the meeting on the 21 September 2011.

6. REVISED RISK MANAGEMENT PROCESS AND POLICY

The Assistant Chief Executive introduced the report as circulated with the agenda. The slightly amended policy reflected changes to structure as well as KPMG recommendations and it was intended to reflect practice, clearly demonstrating how risk and escalation was managed by the Council.

Subject to any comment by the committee, which would be included in the covering report, the policy would go to Cabinet on the 19 April for approval.

There was discussion about whether the policy needed to acknowledge the envisaged changes that may arise from commissioning, however, Officers including the KPMG Auditor, felt that this should not alter the way in which risk was managed by the Council and nor would the risk necessarily transfer to a third party. (e.g. CBH risks were owned by the relevant Assistant Director but the responsibility of managing that risk lay with CBH). The suggestion was that, like the Corporate Strategy, which clearly separated where delivery of an outcome was not the responsibility of CBC, the Risk Register should do the

same. Officers agreed that they would review the policy to ensure that it reflected fully the council's commitment to commissioning.

A fundamental issue in the view of the Chairman was the definition of risk outlined in the policy. He felt that it should be aligned with the international standards (ISO3100 and IEC 73) so as to use the same terminology as other organisations.

Officers were asked to track changes to policies in the future and where the documents were substantial to make them available to members as soon as possible.

Upon a vote it was unanimously

RESOLVED that having considered the revised policy and process the feedback of the Audit Committee be included in the covering report to Cabinet on the 19 April 2011.

7. COMMISSIONING AND GOVERNANCE ISSUES

The Assistant Chief Executive introduced the paper as circulated with the agenda, which had been produced at the request of the committee at their last meeting. The paper set out some initial thoughts about the role of the audit committee and wider governance issues in view of the council's move to become a commissioning council.

In response to concerns raised by members, the Assistant Chief Executive explained that were the decision taken to for example, establish a trust to deliver a particular service, the trust would be entitled to decide against using the council's governance model. This has been raised as a possible issue and discussions were ongoing about whether this could be incorporated into the service level agreement.

The KPMG Auditor highlighted paragraph 4.4 of the paper which referred to the suggestion that independent members appointed to the audit committee could offer a degree of challenge in the commissioning process. Current information from the Department of Communities and Local Government (DCLG) proposed a move to mandatory audit committees with a majority of independent members and an independent Chairman, these would not necessarily have to be auditors and/or accountants and would have a broad range of skills. This would offer a plc feel to the council in a step towards a time when they needed to appoint independent auditors of their choice. The DCLG were of the belief that politics interfered with good governance, though this was not a view shared by the KPMG Auditor. The proposals had not yet been released for consultation and his advice was that when it was, the committee should review it and submit a formal response.

The Assistant Chief Executive indicated that depending on the timescales for responding to the consultation paper it may be appropriate to establish a working group in order to review and respond to the consultation as necessary.

The Cabinet Member Corporate Services confirmed that he had attended each of the overview and scrutiny committees to gauge views on future member involvement. The approach was very fluid at the moment as each area would

be slightly different and this called for a set of principles rather than a rigid process, though admittedly this did pose an issue from an audit perspective. He urged members to give feedback.

A table was being drafted that set out the various delivery models and the risks associated with them, this would be very useful for members and would be completed and circulated soon.

The Chairman felt that there were clearly two strands to the audit committee's involvement, the initial commissioning of services, establishing governance arrangements and once complete, monitoring the service.

The committee requested an update at their next meeting on the two reviews currently being undertaken prior to the reports on the strategic direction for these areas being presented to cabinet. This would enable the audit committee to understand the governance arrangement options which are being considered and satisfy themselves that the risks and opportunities are being fully addressed within the process.

8. VALUE FOR MONEY AUDIT PLAN

Ian Pennington, the KPMG Auditor introduced the report as circulated with the agenda. At the last meeting he had outlined the 2011-12 Audit Plan and had eluded to the new approach to local value for money work. The formerly rigid approach set by the government had been simplified in response to the changing financial environment and there would be no scored judgements, the conclusion would be pass or fail.

The new approach was structured under two themes;

1. The organisation has proper arrangements in place for securing financial resilience.
2. The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The report offered an overview of the VFM audit approach and the Auditor had nothing further to add.

Members welcomed the simplification and noted the VFM audit plan.

9. INTERNAL AUDIT PLAN

The Audit Partnership Manager introduced the report as circulated with the agenda. The Audit Partnership followed a risk based approach and recognised the need to coordinate resources across the partnership and the report set out how this was being undertaken.

Appendix A, the Annual Audit Plan 2011-12 outlined the audit schedule and would supplement future monitoring reports. The first column detailed support for the external audit work and core undertakings for assurance purposes and the other columns were risk based, more flexible and could change as the year progressed.

The Go Programme posed significant risk hence the two separate entries and coincided with other core functions on which it impacted, payroll, debtors, etc and this dovetailed with the Go Programme plan.

The plan represented his assessment of risk at the present time and there was an element of contingency for issues that may arise.

The following responses were given by the Audit Partnership Manager in response to questions from members of the committee;

- In relation to risk based audits a meeting would be organised with the responsible manager to discuss what risks there were and how they were being managed. The partnership would then provide assurances based on the management of those risks.
- The plan, though large, fit the operational resources with some contingency and he was confident that it was deliverable.
- 37 days of 500 were contingency and more was available across the partnership if required.

Members of the committee suggested that the presentation of the Annual Audit Plan could be amended to include details of the risks origin, progress and target outcome(s).

The Cabinet Member Corporate Services suggested that it would also be useful to highlight an item on the Corporate Risk Register as being scheduled on the Internal Audit Plan. Officers agreed to incorporate this into the risk policy and process.

The Chairman agreed with the suggestion that a copy of the Corporate Risk Register be available at future meetings of the committee but advised that it was not a standing item on the agenda.

Upon a vote it was unanimously

RESOLVED that the Internal Audit Plan for 2011-12 be approved.

10. WORK PROGRAMME

The Chairman referred members to the work plan as circulated with the agenda.

Officers advised that the Review of the Annual Statement of Accounts which had been scheduled for June could now be deferred to the September meeting. This was as a result of changes which negated the requirement for the committee to review the draft Statement of Accounts prior to them having been audited.

In relation to the commissioning process members of the Audit Committee needed to be satisfied with the governance arrangements and comfortable that risks were being properly assessed and managed. The Assistant Chief Executive queried what value the committee would be able to add in the initial stages but agreed that ongoing updates would be provided in order that members could build confidence and knowledge of the process.

Following changes to the management structure effective from the 1 April this would be the last meeting for the Assistant Chief Executive in her role as the Lead Officer for the Audit Committee. The Chairman thanked her for her support and welcomed the Senior Finance Officer as her successor.

11. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION

There were no urgent items for discussion.

12. DATE OF NEXT MEETING

The next meeting was scheduled for the 22 June 2011.

Councillor Massey
Chairman