

## Audit Committee

Wednesday, 21st March, 2012  
6.00 - 7.30 pm

Attendees	
Councillors:	Bernard Fisher, Rowena Hay and Paul Massey (Vice-Chair)
Also in attendance:	Councillor Colin Hay

### Minutes

**1. APOLOGIES**

Councillors Wheeldon, Wall and MacDonald had given their apologies.  
Councillor Thornton substituted for Councillor Wheeldon.

As Vice-Chair, Councillor Massey took the Chair in the absence of Councillor Wall.

The Director of Resources had also given his apologies.

**2. DECLARATIONS OF INTEREST**

No interests were declared.

**3. MINUTES OF THE LAST MEETINGS**

The meeting scheduled for the 11 January 2012 was adjourned by virtue of it not having quorum present. As such, two sets of minutes were being considered, those of the meeting held on the 21 September 2011 and the adjourned meeting on the 11 January 2012.

Upon a vote it was unanimously

**RESOLVED that the minutes of the meeting held on the 21 September 2011 and the adjourned meeting of the 21 January 2012 be agreed and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

No public questions had been received.

**5. ANNUAL AUDIT LETTER 2010-11**

The KPMG Auditor introduced the audit letter 2010-11 which summarised the key findings of KPMG's 2010-11 Audit of Cheltenham Borough Council which had been previously reported. Members may consider that the presentation of the audit letter at this point was neither, timely or relevant, but he explained that there was a requirement for this to be formally presented to the Audit Committee. He reiterated comments made when the 2010-11 Audit had been reported in September 2011 that officers had produced a well presented set of accounts and that it had been a model audit.

Members noted the audit letter 2010-11 and the Chair acknowledged the comments by KPMG about the standard of the papers produced by the council and felt that thanks on behalf of the committee should be passed to the officers involved in the collation of these papers.

## **6. FINANCIAL STATEMENTS AUDIT PLAN 2011-12**

The KPMG Auditor introduced the plan which described how KPMG would deliver their audit of 2011-12 financial statements, which had presented in a similar format to previous years.

Section two set out key risks and areas of focus for KPMG. This included saving plans, which given the pressures to deliver public sector cuts could increase the risk management bias on the financial statements, though this was contrary to his experiences at this council. He stressed that any liabilities arising from the saving plans at the end of the year would need to be accounted for in the 2011-12 financial statements. Changes to the 2011-12 Code included the requirement to carry 'heritage assets' and their value, whether this be historical buildings, civic regalia or works of art. The GO Project posed two concerns; the first, that costs for this project were captured and reported appropriately in the accounts. The second, was an anxiety that as resources became further stretched with staff taking on additional roles in the lead up to GO Live date would have an adverse impact on the standards of accounting. This would be monitored closely. The KPMG Auditor touched on other sections of the report, explaining that the fee was lower than last year and the reduction was a result of the VFM work being less.

The KPMG Auditor offered the following responses to questions from Members of the Committee;

- KPMG had taken note of the findings of Internal Audit with regard to Waste Management income management and stock control which were found to be unsatisfactory. There were two aspects of KPMG audit, that information within the accounts are recorded properly and demonstrated VFM.
- KPMG did not assess the impact of budget decisions, but solely the decision itself. It was for Internal Audit to consider the impact of the decision, but KPMG would consider Internal Audit plans and reports.
- Earmarked reserves demonstrated transparency and from a resilience perspective KPMG would look at them to ensure that they made sense. They would also look at the remaining General Fund to ensure that there was adequate provision for the unexpected and that it was not potentially too low.

## **7. CERTIFICATION OF GRANTS AND RETURNS 2010-11**

The KPMG auditor introduced the report which despite being short, required a surprising amount of work. The report was necessitated by the stipulation of the government departments who had provided the monies that councils provide data which is to be checked by Auditors.

Of the six grants and returns, five were issued with unqualified certificates by KPMG and one with a qualified certificate which was the result of an incorrect entry in one of the cells on the Housing Subsidy Base Data Return.

## **8. REVIEW RISK MANAGEMENT POLICY**

The Corporate Governance, Risk and Compliance officer (CGR&CO) introduced the risk management policy which was owned by the Audit Committee and was reviewed on an annual basis. This years review incorporated a number of changes which included;

Confidential risks for which there had previously been no provision, would be included in the register but given that it was a public document which was circulated widely across the council, these risks would be recorded but redacted as necessary to ensure compliance with data protection requirements and in order to preserve confidentiality.

The risk scorecard had been shortened to make it more succinct than previously in an effort to make it clearer for officers. The introduction of a new risk management module would calculate residual risk and this necessitated a wider range of scoring from 1 to 5 to allow for reasonable differential between actual risk and residual risk. He suggested that a score of 5 would be very rare, or at least should be.

The Chair welcomed the changes to the definition of risk, which, further to previous comments by this committee, was inline with the internationally recognised definition (ISO3100 and IEC). Other comments made by the chair included the description of positive risk (1.6) which he felt should include reference to the fact that positive risks in one area may pose negative risks to other objectives. The scale of impact as set out in 6.2, needed to be amended and 'negligible' listed below 'low'. The reference to the economy and business improvement overview and scrutiny committee at 10.8 should be removed given that this committee would soon cease to exist. The table at 15 showed two categories both titled green and though different shades in colour, perhaps the scale of colours should be amended to red, orange, yellow and green.

The CGR&CO confirmed that risks scoring between 16-24 were still the responsibility of the risk owner but collectively managed by the senior leadership team.

### **RESOLVED that**

- 1. The revised Risk Management Policy including a process for managing and reporting confidential risks be agreed.**
- 2. The introduction of the revised risk scorecard that coincides with the new risk management module be agreed.**

## **9. REVISED CODE OF CORPORATE GOVERNANCE**

The corporate governance, risk and compliance officer (CGR&CO) introduced the revised code of corporate governance which members were asked to consider, suggest any further issues for consideration by officers and recommend to council for approval. This year, the annual review had been undertaken alongside the constitution review and a resulting amendment had been the deletion of appendices relating to policies in order that they could be included as separate appendices of the constitution. Given the councils adoption of a commissioning approach to the delivery of its services which had

and would continue to result in different ways of working, a commissioning protocol was developed. This protocol set the principles by which the approach to commissioning was to be governed.

Members queried whether the document should include specific references to the committee structures in place at the council (i.e. audit committee and overview & scrutiny committee) and their roles and functions, which formed part of how compliance would be achieved. The CGR&CO explained that the roles and responsibilities of all committees were defined in the constitution and as the Code of Corporate Governance was a very high level document he suggested that rather than detail the roles of various committees he could instead include the name of the relevant committee and note that full details of roles and responsibilities were included in the constitution, referring to the appropriate appendix once the constitution review was complete.

**RESOLVED that having considered the revised Code and suggested changes as appropriate, the Code be recommended to Council for approval.**

#### **10. INTERNAL AUDIT MONITORING REPORT**

Before introducing the item the Audit Partnership Manager confirmed that appendix 1 of this item had been attached to agenda item 11 in error and vice versa. Members confirmed that this had already been highlighted to them.

The internal audit report was designed to provide ongoing assurances to the Audit Committee throughout the year, in addition to the annual internal audit opinion which was presented annually and provided an overall assurance opinion. It also provided members with a summary of the work being undertaken by the partnership, which included work set out in 3.4 of the covering report. Members were referred to the internal audit monitoring report itself, appendix 1, which detailed executive summaries of the reviews undertaken and the Audit Partnership Manager talked through some specific highlights of the report, including progress since the recommendations had been made.

The Audit Partnership Manager provided the following responses to member questions;

- In relation to the comments regarding Waste Management income management, Managers had responded immediately to the recommendations. He was aware that this would need to be monitored once UBICO had gone live, to ensure that the recommendations were being taken forward. Given the nature of this audit opinion, the Committee asked for an update via a briefing note, either at the next meeting or by email, as soon as the issue was resolved.
- There was no evidence that any declarations of hospitality weren't being recorded but this was not always in a timely fashion. The Corporate Governance Group had asked for guidance from Legal and a new module would be added to the Learning Gateway for Officers to add their declarations of hospitality, though he was not sure that this would also be available to Members.

#### **11. ANNUAL INTERNAL AUDIT PLAN**

The Audit Partnership Manager introduced the Annual Internal Audit Plan, which outlined a programme of work for internal audit during 2012-13. The work of internal audit had two elements, core governance and financial management and risk based.

He highlighted that audit of the core financial systems delivered to the Council by GO shared services would be covered within the GO shared services audit plan in order to avoid repetition and duplication. The risk based audit plan was flexible and was reviewed on a quarterly basis by SLT and resources were focussed where necessary at appropriate times.

In addition to the plan at appendix 1 he advised that;

- AGS was an acronym for the Annual Governance Statement.
- In March 2012 the 'Non – Ubico Services' audit would consider the control and management of residual services which would not transfer to UBICO.
- In relation to commissioning he would comment as needed but would not necessarily compile a report.

The Audit Partnership Manager and the Cabinet Member Corporate Services where necessary, offered the following responses to Members questions;

- In relation to UBICO the Audit Partnership were acting for the council, but the Audit Partnership was acting as an auditor for UBICO separately under a Service Level Agreement. The Executive Board for UBICO were currently evolving an Audit Committee, the suggestion being that this committee would receive reports from the auditors on a regular basis.
- The Leader of the Council is the shareholder representative and the Cabinet Member Corporate Services as an observer only, but this was not the case on the Ubico Board which did not have an observer. All governance arrangements, including those with CBH, Cheltenham Festivals, UBICO, etc, were being reviewed.
- The issue of different districts being involved in different setups (GO, One Legal, etc) had been considered by the relevant Project Boards and an appropriate audit plan for each was being developed. Discussions were ongoing about who would receive what information in order to avoid a conflict of interest and protect confidential information. The Audit Partnership Manager was happy to organise a session for Members if this would be considered useful.
- The two biggest issues and greatest undertakings within the plan would be the workforce capacity management and commissioning audits. The plan gave the impression that each audit would take a month but some would be shorter and some longer.
- The AG&M project audit related to a review of the delivery of the project rather than consideration of the business plan. He suggested that it would be for O&S to consider whether the AG&M business plan was robust and that he could see no reason why this

matter could not be referred to the O&S Committee by the Audit Committee at the appropriate time.

**RESOLVED that the Internal Audit Plan 2012-13 be approved.**

**12. WORK PROGRAMME**

The Chair referred members to the work plan as circulated with the agenda. No items were raised for inclusion but it was noted that the Chair's briefing for the next meeting in June, was currently scheduled for the 17 May, only 3 days after Annual and Selection Council. It was suggested that this should be deferred by a week to allow the new Chair to prepare, if applicable.

Officers highlighted the training session which had been scheduled for 5pm before the Committee meeting on the 20 June which could be of interest and use to Members and substitutes from a number of Committees and Working Groups. The Cabinet Member Corporate Services noted the suggestion by the Constitution Review Working Group for open substitution and the issues this would pose to Committees where statutory training was required.

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

There were no urgent items for discussion.

**14. DATE OF NEXT MEETING**

The next meeting was scheduled for the 20 June 2012 and subsequent dates were yet to be agreed by Council.

Paul Massey  
Chairman