

**AUDIT COMMITTEE
6TH DECEMBER 2011**

PRESENT: Mr P. Blakemore (Independent Member and Chair)
Councillor Osborne (Vice-chair)
Councillors Bentley, Carter, Miah and Paling

APOLOGY: Councillor Lowe

The Strategic Director of Corporate Services also attended this meeting.

28. MINUTES

The minutes of the meeting of the Committee held on 20th September 2011 were confirmed as a correct record and signed.

29. DISCLOSURES OF PERSONAL INTEREST

No disclosures of personal interest were made.

30. WORK PROGRAMME

The Committee's current work programme was submitted to enable it to consider any amendments and/or additions for future meetings (item 4 on the agenda filed with these minutes).

RESOLVED that the Committee proceeds on the basis of the following work programme, which incorporates all decisions made at this meeting:

ISSUE	MEETING
Internal Audit Business Internal Audit Plan – Progress	Ongoing 6th March 2012 Quarterly In particular on 6th March 2012, update on position following Leisure Activity Programmes audit.

External Audit Business	Ongoing
Annual Governance Report 2008/09 Use of Resources Findings - Management Response - Monitoring Implementation of Actions	6th March 2012 Every Six Months
Certification of Claims and Returns (2010/11 Audit)	6th March 2012 Annually
Annual Governance Report 2011/12	Additional Meeting September 2012 (Accounts) Annually
Risk Management (Risk Register)	6th March 2012 Quarterly - detailed report every six months, exception report quarters in-between.
Council's Use of Regulation of Investigatory Powers Act (RIPA)	6th March 2012 Quarterly
2011/12 Review of the Effectiveness of Internal Audit (Procedure and Panel Appointment)	6th March 2012 Annually
Internal Audit Plan 2012/13	6th March 2012 Annually
Annual IT Health Check (Code of Connection) <i>Confidential Report</i>	6th March 2012 Annually
Notes of meetings between Directors/Heads of Service and Cabinet Lead Members – Outcome of Consideration at Leaders' Meeting	6th March 2012
Heritable Bank Plc (Iceland) Update	July 2012 Every Six Months
Treasury Management (including Borrowing under Prudential Guidelines) - Position/Out-turn	July 2012 Every Six Months
2011/12 Annual Internal Audit Report	July 2012 Annually
2011/12 Review of the effectiveness of Internal Audit (Feedback from Panel)	July 2012 Annually
Members' Allowances Claimed 2011/2012	July 2012 Annually
Whistle Blowing and Anti-fraud, Corruption and Bribery	July 2012 Annually
Environmental Audits – Report on Outcomes	July 2012 Annually

2012/13 Treasury Management Strategy	July 2012 Annually
2011/12 Statement of Accounts	Additional Meeting September 2012 (Accounts) Annually
2011/12 Annual Governance Statement and Review of the Code of Corporate Governance	Additional Meeting September 2012 (Accounts) Annually
Future of Local Public Audit	Report on Government proposals considered 5th July 2011. Further report once final regulations/guidelines are known.

Reason

The Committee considered its programme and amended it to ensure it considered matters appropriate and necessary to its role in a useful and timely manner.

31. EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2010/11

The External Auditor's Annual Audit Letter 2010/11 was submitted (item 5 on the agenda filed with these minutes).

Mr N. Bellamy and Mr A. Benselin of the Audit Commission attended to assist the Committee.

RESOLVED that the External Auditor's Annual Audit Letter 2010/11 be noted.

Reason

The Committee was content with the Annual Audit Letter and had no areas of concern or actions that it wished to include as part of its decision.

32. RISK MANAGEMENT (RISK REGISTER)

A report of the Head of Strategic Support was submitted setting out details of the Strategic Risk Register 2011/12 and providing an update on progress with both the Strategic and Operational Risk Registers 2011/12 (item 6 on the agenda filed with these minutes).

The Head of Strategic Support and the Audit and Risk Manager attended to assist the Committee.

In particular, the Committee wished to consider at this meeting the risk relating to the absence of a Local Development Framework (LDF) to guide the distribution of homes and to assist in meeting new and affordable homes targets (SR/1). The Cabinet Lead Member for Planning (Councillor Blain) and the Head of Planning and

Regeneration attended to assist the Committee in respect of that particular matter. In summary, Councillor Blain outlined the work being undertaken to mitigate the risk through progressing the LDF Core Strategy to adoption, as set out in the Local Development Scheme agreed by Cabinet in July 2011, including the stage the Council was currently at in respect of that Scheme and details of a current risk of delay with it. He referred to the considerable focus on work to progress the LDF Core Strategy and he considered that good progress was being made to mitigate SR/1.

The Cabinet Lead Member for Planning and the Head of Planning and Regeneration also assisted the Committee in its discussion of SR/10, briefly outlining the position/work being undertaken in that respect.

RESOLVED that the report be noted, including, in particular, the progress being made to mitigate SR/1.

Reason

The role of the Committee included, in respect of the Council's regulatory framework, monitoring the effective development and operation of risk management in the Council. At its meeting on 7th July 2011, the Cabinet, when approving the Strategic Risk Register 2011/12, resolved that the Audit Committee monitor progress in respect of risks on the Register by considering monitoring reports on a quarterly basis. In respect of SR/1, the Committee was content with the position outlined by the Cabinet Lead Member for Planning and had no areas of concern or actions that it wished to include as part of its decision.

33. TREASURY MANAGEMENT – OUT-TURN 2010/11

A report of the Head of Finance and Property Services was submitted setting out the Council's Treasury Management, Investment Management and Prudential Code Outturns for 2010/11 (item 7 on the agenda filed with these minutes).

The Head of Finance and Property Services attended to assist the Committee.

RESOLVED that the position be noted.

Reason

The Committee was content with the position set out and had no areas of concern or actions that it wished to include as part of its decision.

34. TREASURY MANAGEMENT – POSITION AT 30TH SEPTEMBER 2011

A report of the Head of Finance and Property Services was submitted setting out the Council's Treasury Management activities in the six months to 30 September 2011 (item 8 on the agenda filed with these minutes).

The Head of Finance and Property Services attended to assist the Committee.

RESOLVED that the position be noted.

Reason

The Committee was content with the position set out and had no areas of concern or actions that it wished to include as part of its decision.

35. HERITABLE BANK PLC (ICELAND) - UPDATE

A report of the Head of Finance and Property Services was submitted setting out the position with the amount repaid to the Council by the administrators of the Bank (item 9 on the agenda filed with these minutes).

The Head of Finance and Property Services attended to assist the Committee.

RESOLVED that the position be noted.

Reason

The Committee was content with the current position and had no areas of concern or actions that it wished to include as part of its decision.

36. INTERNAL AUDIT PLAN - PROGRESS

A report of the Head of Strategic Support was submitted summarising the status of the 2011/12 Audit Plan and outlining key findings from final audit reports and follow-up work completed since the previous progress report (item 10 on the agenda filed with these minutes).

The Head of Strategic Support and the Audit and Risk Manager attended to assist the Committee.

In particular, the Committee was asked to note that the outstanding CCTV 2009/10 audit recommendation (signage) had now been implemented (Audit Committee Minute 19 – 5th July 2011 referred).

RESOLVED

1. that the report be noted;
2. that, in respect of the Breakout Cafe audit, the Head of Strategic Support be asked to explore the possibility of a separate cost centre for the facility;
3. that the Head of Strategic Support be asked to consider the issue of virement as part of the 2011/12 Key Financial Systems audits of Accountancy and Budgetary Control and Capital Accounting;
4. that, in respect of the Leisure Activity Programmes audit, an update be provided at the next meeting of the Committee (6th March 2012).

Reasons

1. The report set out progress against the approved Internal Audit Plan and is necessary to the Committee's role of monitoring audit work in the Council.
2. The Committee considered that it would be preferable for all income and costs relating to the facility to be illustrated in this way.
3. A member of the Committee expressed concern regarding the Council's virement of funds from one budget to another. In summary, he considered that, although virement was allowed by the Council's financial regulations and was a common practice by local authorities, it did not encourage a good discipline in setting and running budgets/procurement. More stringent requirements to justify any virement should be considered, particularly as the practice removed funds from other agreed projects. In response, the Head of Strategic Support referred to the Capital Plan process and how estimates were submitted. Requiring more detailed bids at an early stage could result in considerable work on projects which were not then included in the Plan. More stringent virement rules might also encourage higher estimates to provide a cushion for unforeseen costs. However, given the concern expressed as part of this Internal Audit item, the issue of virement could helpfully be considered as part of these audits.
4. This audit had resulted in a limited level of assurance. The Committee was informed at this meeting that many of the audit's recommendations had now been implemented, with those that had not being outlined in Appendix C to the report. The Committee was concerned to ensure that all the identified issues were addressed and requested an update at the next meeting for that reason.

37. INTERNAL AUDIT - BENCHMARKING

A report of the Head of Strategic Support was submitted setting out the results of the Council's participation in the CIPFA benchmarking club for Internal Audit (item 11 on the agenda filed with these minutes).

The Head of Strategic Support and the Audit and Risk Manager attended to assist the Committee.

RESOLVED that the report be noted.

Reason

The information assists the Committee in its ongoing monitoring of the Council's Internal Audit service. Having considered the information, the Committee was content with how the Internal Audit section compared favourably against similar local authorities and had no areas of concern or actions that it wished to include as part of its decision.

38. COUNCIL'S USE OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

A report of the Head of Strategic Support was submitted to provide a summary of the Council's use of RIPA in the period 21st May to 11th November 2011 (item 12 on the agenda filed with these minutes). There had been no use of RIPA in the period.

The Head of Strategic Support attended to assist the Committee.

RESOLVED that the report be noted.

Reason

Following a Cabinet request, the Committee had assumed responsibility for receiving quarterly reports on use of RIPA and for reporting to the Cabinet any concerns regarding that use if not consistent with the Policy (or that the Policy may not be fit for purpose).

39. COUNCIL CONTRACTORS – ANTI-FRAUD AND CORRUPTION AND WHISTLE-BLOWING POLICIES AND PROCEDURES

The Head of Strategic Support reported verbally on this matter. He confirmed that the Council's main contractors (Serco, Capita and Fusion) all had in place suitable policies similar to those of the Council.

RESOLVED that the position be noted.

Reason

The Committee was content with the position and had no areas of concern or actions that it wished to include as part of its decision.

40. MEETINGS BETWEEN DIRECTORS/HEADS OF SERVICE AND CABINET LEAD MEMBERS – TAKING OF NOTES – OUTCOME OF CMT CONSIDERATION

The Head of Strategic Support reported verbally on this matter. In summary, he stated that there was no formal, corporate requirement for notes to be taken of such meetings. Although, in practice, records were often kept, for example in the form of emails, not every exchange was recorded. In response to a question, he confirmed that, if the Committee remained concerned about the issue, it could request that its concerns be further considered, with further details of the options in that respect then being discussed.

RESOLVED that the Head of Strategic Support be asked to include the issue on the agenda for discussion at the Leaders' meeting on 19th December 2011, with the outcome being reported back to the next meeting of the Committee.

Reason

The Committee's concerns remained as outlined at its meeting on 5th July 2011. It was important to take such notes in terms of providing a transparent audit trail of the information passed on/decisions taken and to protect all parties involved. It was recognised that there were resource implications of doing so, but it might be possible to keep such a record without additional resource requirement through the officer concerned keeping a note and sending that to the Lead Member also. It would be appropriate and useful for the Leaders' meeting to consider the matter.

Notes:

1. No reference may be made to these minutes at the Council meeting on 9th January 2012 unless notice to that effect is given to the Team Leader – Democratic Services and Mayoralty by five members of the Council no later than five working days following the publication of the minutes.
2. These minutes are subject to confirmation as a correct record of the Committee's decisions (at the next meeting of the Committee).