



Rutland County Council

Catmose Oakham Rutland LE15 6HP

Telephone 01572 722577 Facsimile 01572 758307 DX 28340 Oakham

Minutes of a meeting of the **AUDIT AND RISK COMMITTEE** held in the Council Chamber, Catmose, Oakham, at 7.00pm Tuesday 21 June 2011.

PRESENT: Mr M Woodcock (in the Chair)
Mr W Cross (substituting for Mr J Munton)
Mr D C Hollis
Mr D L Richardson
Mrs C L Vernon

In attendance: Mr T C King Portfolio Holder for Finance and Asset Management
Mr M Norman Audit Manager, Audit Commission
Mr M Pocock Portfolio Holder for Resources

Officers present: Mr R Gaughran Head of Welland Internal Audit Consortium
Miss D Muddimer Strategic Director for Resources
Mr G A Pook Head of Corporate Governance and Monitoring Officer
Miss T D Stokes Democratic Services Manager

Apologies: Mr J Munton

71 DECLARATIONS OF INTEREST

No declarations of interest were made in respect of the items on the agenda for this meeting.

72 PETITIONS, DEPUTATIONS AND QUESTIONS

No petitions, deputations or questions had been received from members of the public.

73 ROLE OF THE AUDIT AND RISK COMMITTEE

A presentation regarding the role of the Audit and Risk Committee was received from the Head of Welland Internal Audit Consortium, Mr Gaughran. A copy of the presentation is included with these minutes.

During consideration, members noted the following points:

- i) Further training in respect of members' roles and responsibilities regarding the Audit and Risk Committee would be welcomed.
- ii) Officers were required to action any recommendations identified as a result of conducting internal audits.
- iii) Standards published by CIPFA tended to be endorsed by the Audit Commission for its work with authorities.

RESOLVED

That the content of the presentation be noted.

74 ANNUAL REPORT OF INTERNAL AUDIT FOR 2010/11

Report No 76/2011 from the Head of Welland Internal Audit Consortium which sought approval of the Annual Report of Internal Audit and the Internal Audit Opinion, was received.

During consideration, members noted the following points:

- i) The report provided a summary of the Audit Team's work undertaken during 2010/11 in accordance with the Audit Plan.
- ii) The Internal Audit Opinion on the Council's overall internal control arrangement was noted as "sound" for 2010/11. It was noted that the level had not altered since the previous year; however, financial systems and controls had improved. Comparing the Authority with others within the Consortium, Rutland was in the same zone as other authorities.
- iii) Referring to the 38 outstanding recommendations from 2010/11 audit reports, 25 were overdue which had arisen from the re-structuring of the Council and the re-allocation of recommendations within the structure. Work is underway to reduce the number of overdue recommendations and Mr Gaughran informed the Committee that the position had improved since the report was written.
- iv) Clarification was sought in respect of the establishment, composition and cost of the Welland Audit Consortium. It was noted that the Consortium, formed five years ago, now provided internal audit services to five local authorities (ie Rutland, Corby, East Northamptonshire, Harborough and Melton). The budget for 2010/11 was £89,900 and savings in the previous year cut the cost of the service by 23%. The Consortium enabled a more economical way of delivering an in-house audit service.
- v) The Key Lines of Enquiry for 2010/11 outlined in paragraph 4.1 of Report No 76/2011 were used at all the Welland sites.
- vi) 70% of audits were delivered to budget during 2010/11. Reasons for some of the audits going over budget included estimating errors on the Head of the Consortium's part, problems of information identification by Audit and Finance staff and additional audit work being required. An analysis of reasons could be provided regarding the 30% over-budget if required. The cost to the Council depended on the number of days spent on each Audit.
- vii) Referring to Appendix A to Report No 76/2011, it was noted that executive summaries of each Audit could be provided to members to back up assurance level conclusions, if necessary. These would highlight key strengths and the action plans that managers had agreed to implement. Reports on outstanding recommendations would be included in future quarterly monitoring reports for members' information/attention.

- viii) It was noted that the overall Internal Audit Opinion was based upon audits undertaken during the previous year; it did not take account of all work undertaken by the Council. Specific projects would be examined within the Authority's Risk Register. Audit and Risk were two separate exercises in terms of management processes.
- ix) By the end of December 2011, the Committee would be asked to comment upon the audit plan for 2011/12 which would be based on current topics and evidence at the time.

RESOLVED

That the Annual Report of Internal Audit and the Internal Audit Opinion which it supports, be **APPROVED**.

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In accordance with the provisions of Procedure Rule 11, Mr Richardson requested that his abstention from voting on the above Resolution, be recorded.

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75 ANNUAL GOVERNANCE STATEMENT

Report No 83/2011 from the Strategic Director for Resources which sought approval of the Annual Governance Statement to be published with the Statement of Accounts for 2010/11, was received.

During his introduction, the Head of Corporate Governance, Mr Pook, indicated that the Annual Governance Statement formed part of the overall framework surrounding the Council's Statement of Accounts for the preceding year. Appendix A to Report No 83/2011 contained much of the same material each year; however, items of note within the elements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, were highlighted.

During consideration, members noted the following:-

- i) Reference to 13 newly elected councillors should be incorporated as a risk issue within Section 5 of the Statement.
- ii) Clarification was sought regarding the number of complaints received by the Standards Committee during 2010/11. It was noted that all complaints related to parish/town councillors, none were relevant to county councillors.
- iii) Referring to paragraph 2 of the Annual Governance Statement, a query was raised regarding the Authority's systems of internal control. It was noted that in addition to systems and processes, and culture and values, the Authority's Risk Register acted as a management tool in managing and controlling future risks to the Council. Some risks were managed by establishing project boards and ensuring controls were in place.

The Risk Register was available electronically to all members and was frequently updated by officers.

In conclusion, the Annual Governance Statement was intended to be a live document and although it had been brought to Committee a short time before the deadline for publication, the next document could be developed by the Committee during the year, as appropriate.

RESOLVED

That the Annual Governance Statement at Appendix A to Report No 83/2011 be published with the 2010/11 Statement of Accounts, subject to the inclusion of a reference to the challenge associated with the election of 13 new councillors.

76 AUDIT AND RISK COMMITTEE WORKPLAN 2011/12

The work plans for the Audit and Risk Committee for 2011/12 were considered and **APPROVED** as follows:-

September 2011

- Risk Management Framework Presentation
- Statement of Accounts 2010/11
- Annual Governance Report from the Audit Commission
- Audit Risk Assessment
- Internal Audit Performance Monitoring Report, including outstanding Audit Recommendations
- Risk Register (Exempt) – presentation to be provided by the Strategic Director for Resources

December 2011

- Annual Audit Report from the Audit Commission
- Counter Fraud Strategy and Whistle Blowing Policy
- Internal Audit Performance Monitoring Report, including outstanding Audit Recommendations
- Risk Register (Exempt)

March 2012

- Annual Plan of Internal Audit
- Draft Annual Governance Statement 2011/12
- Internal Audit Performance Monitoring Report, including outstanding Audit Recommendations
- Risk Register (Exempt)

Referring to the September 2011 meeting, it was noted that due to changes in Regulations, the Committee would approve the Statement of Accounts after completion of the annual audit.

The Risk Register would be reviewed at each Committee. An introduction to the Risk Management Strategy would be provided to members before

examining in detail. A presentation would be provided at the September meeting.

Other items would be added to the work programme as appropriate.

Clarification was sought as to whether it was felt that the work programme was too ambitious for the Committee. It was requested and **AGREED** that additional presentations/training sessions be convened for members outside of Committee meetings, but that they be held imminently to ensure members were “up to speed” with their responsibilities. In particular, a session on the Statement of Accounts would be held before September 2011 with all members invited to attend.

77 ANY OTHER URGENT BUSINESS

The Chairman permitted an urgent item of business to be considered on the Audit Plan 2010/11. The reason for the urgency was noted as follows:-

“Audit work on the final accounts would start in early July 2011 and therefore consideration of the Audit Plan 2010/11 could not wait until the September Committee meeting.”

78 AUDIT PLAN 2010/11

The Chairman welcomed Mr Norman, Audit Manager from the Audit Commission, to the meeting. Mr Norman presented the draft Audit Plan 2010/11 (circulated at the meeting) which focussed on the Audit Commission’s audit of financial statements and the value for money conclusion for 2010/11.

The document (which was prepared in March 2011) provided an update to the original version which took account of the 2009/10 audit. The plan included information which was required to be communicated to Council on a regular basis.

Referring to specific risks highlighted in Table 1 on page 6, the following was noted:-

- i) 2010/11 was the first year that the code of practice for local government accounting was based solely on the International Financial Reporting Standards (IFRS). This could result in additional work for officers, particularly in terms of the closedown and accounts production process.
- ii) A further risk in terms of accounting for the significant capital schemes in progress (including the Catmose Campus, Oakham Church of England Primary School and the Rutland College development) was highlighted.
- iii) A review of the Council’s assessment and, if appropriate, additional audit work on the group financial statements in respect of the

Authority's membership of the Rutland County College Trust, would be undertaken.

In conclusion, Mr Norman stressed the need for members to understand the Authority's financial statements which would be reported in September. The Annual Audit Letter would be presented in December.

79 RISK REGISTER

The Strategic Director for Resources, Miss Muddimer, indicated that she had nothing to add to her verbal update on the Risk Register provided under Minute Number 75 above.

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The Chairman closed the meeting at 8.15pm.

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