



Rutland County Council

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Minutes of a meeting of the **AUDIT & RISK COMMITTEE** held in the Council Chamber, Catmose, Oakham, at 7.00 pm Tuesday, 25 September 2012.

PRESENT: Mr M R Woodcock (in the Chair)
Mr D C Hollis
Mr J M Lammie
Mr J R Munton
Mr D L Richardson

Members in attendance: Mr T C King Portfolio Holder for Finance & Asset Management
Mr M D A Pocock Portfolio Holder for Resources
Mr B W Roper (for part of the meeting)

Officers present: Mrs A S Brown Democratic Services Officer
Mr S Della Rocca Interim Strategic Director for Resources
Ms S Dring Head of Business Support – Resources
Mr R Gaughran Head of Welland Internal Audit Consortium
Mrs D Mogg Strategic Director for Resources
Mr G A Pook Head of Corporate Governance

Others in attendance: Mr N Bellamy District Auditor, Audit Commission
Mr M Norman Audit Manager, Audit Commission

Apologies: None received, all present.

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It was agreed that the agenda of the meeting would be slightly amended in order to take agenda item 5 – Audit Commission Annual Governance Report before agenda item 4 – Statement of Accounts.

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378. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the minutes of the Audit & Risk Committee held on 19 June 2012 be confirmed and signed by the Chairman.

379. DECLARATIONS OF INTEREST

There were no declarations of interest in respect of items on the agenda.

380. PETITIONS, DEPUTATIONS AND QUESTIONS

No petitions, deputations or questions had been received.

381. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT

Report No. 200/2012 was received from the Strategic Director for Resources. Introducing the report, the District Auditor, Mr Bellamy, explained that the report summarised the matters arising from the 2011/12 audit of the Council's Financial Statements and that he was issuing an unqualified opinion. Mr Norman, Audit Manager, then explained each section in detail.

During consideration the Committee noted the following points:

- Appendix 2, Uncorrected Errors, had been amended and a new version of the appendix was circulated to members for their information. In summary, officers had proposed to leave the accounts as they were and the auditors agreed that this was a routine process for which they were content with the recommendation.
- Only two possible conclusions were available from the auditors, which were 'yes' or 'no', in answer to the question of whether proper arrangements were in place to secure value for money. The Authority had received a 'yes'.
- The Auditors were asked to clarify what process they followed to make their decision and what level of detail was looked at. In response it was confirmed that guidance set out by the Audit Commission, which looked at the arrangements in place within an authority, was followed in order to come to their decision.
- The mechanism of this process was acknowledged but, when asked if the actual details included in these arrangements were scrutinised by them in order to ensure economy, efficiency and effectiveness, auditors confirmed that this responsibility lay with the authority themselves and their own remit was to ensure the mechanism was in place to allow the authority to do that.
- As part of the audit, an adjustment was identified within the 2011/12 figures and this should not have, in the opinion of the auditors, been amended as it was not a material error. However, they did acknowledge that this had been amended to make the comparison clearer. It was not material to their opinion, but it was felt to be important to highlight this to the Committee.
- To explain further, the Strategic Director for Resources advised that the amendment in question (£138k referred to in Appendix 2) was not an adjustment to the bottom line but an adjustment from one line to another and was to ensure that the reader of the accounts was comparing like for like with last year's accounts.
- Concern was raised that it had taken three months to identify some of the amendments. It was explained that, whilst there was a three month window between publication of the draft accounts and the presentation of the audited accounts, all local authorities were working to the same timeframe and the audit team were not dedicated to this authority. They would also be required to undertake audits for other authorities during the same time period which meant it was not possible to complete the audit earlier.

RESOLVED

1. That the contents of the Annual Governance Report be **NOTED**.

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In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Richardson requested that his vote against the above Resolution be recorded.

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In agreement with the Committee, the following Resolution was taken after discussion in agenda item 4, Statement of Accounts.

2. That the Letter of Representation at Appendix 4 to Report No. 200/2012 be **APPROVED** and signed by the S151 Officer.

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In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Richardson requested that his vote against the above Resolution be recorded.

In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Munton requested that his vote in favour of the above Resolution be recorded.

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382. STATEMENT OF ACCOUNTS

Report No. 114/2012 was received and introduced by the Strategic Director for Resources, Mrs Mogg, who presented the Committee with the statutory Statement of Accounts for 2011/12. Mrs Mogg took the opportunity to introduce Mr Saverio Della Rocca to the Committee. Mr Della Rocca would be covering the role of Strategic Director for Resources when Mrs Mogg commenced maternity leave in November 2012 and was currently undergoing a handover period.

Members were asked to refer to the version of the Statement of Accounts circulated on 21st September 2012 in addition to the amendment to Note 9. In order to approve the accounts, the Committee were reminded that they were to be content with the process in reaching those accounts.

During consideration the Committee noted the following points:

- A number of amendments to the accounts had been received since publication of the agenda and it was confirmed that an explanation of the changes had been provided in order to assist members.
- Reclassification of some fixed assets had resulted in some changes within the accounts. The document was complex and these amendments were necessary as they could have had a knock on affecting other areas of the accounts had they not been made.
- Confirmation was received that the evaluation of fixed assets would result in a different figure for the purposes of the accounts to that if the asset was put on the open market.
- When asked why the land value adjustment for Catmose Campus was not done within the previous year's accounts, it was confirmed that it had been done in the previous year but included in the asset list in 2011/12 in error.
- Officers explained that "de-recognition" was where figures were removed from the balance sheet, for example where schools became academies, the asset was transferred to the Academy but there was no income to the Council, therefore the asset was de-recognised.

- An asset was to meet four criteria in order to be referred to as 'Held for Sale' and, at the time of preparing the accounts, only Barleythorpe Hall met all criteria. Although other assets had been actively marketed, they were unlikely to reach a sale within 12 months and were, as a result, unable to be referred to as 'Held for Sale'. To assist members, the four criteria referred to were as follows:-
 - The asset must be available for sale immediately in its present condition
 - The sale of the asset was expected to be completed within 12 months of classification as 'Held for Sale'
 - There must be no expectation that the plan for selling the asset would be withdrawn or changed significantly
 - There must be active marketing of the asset.

RESOLVED

1. That the Statement of Accounts for 2011/12 at the revised Appendix A, which includes the amendment to the Annual Governance Statement, subject to the Strategic Director for Resources agreeing a replacement Note 29, in consultation with the Chairman, be **APPROVED**.

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In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Richardson requested that his vote against the above Resolution be recorded.

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2. That, in accordance with Procedure Rule 110(7), in order to enable compliance with the Accounts and Audit (England) Regulation 2011, the Committee's decision shall not be referred to the Council.

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In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Richardson requested that his vote against the above Resolution be recorded.

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8.20pm Mr Bellamy and Mr Norman, Audit Commission, left the meeting at this point and did not return.

383. INTERNAL AUDIT PERFORMANCE REPORT

Report No. 184/2012 was received from, and introduced by, the Head of the Welland Internal Audit Consortium, Mr Gaughran. The purpose of the report was to afford members the opportunity to monitor the performance of the Consortium in delivering the Council's internal audit services.

During consideration the Committee noted the following points:

- In respect of replacing staff it was explained that the Consortium was overseen by the Welland Board and as a result of the turnover in the membership of that governing board, the views of the Consortium structure had changed. The structure and job descriptions had now been redefined although the process had been time consuming.

- It was confirmed that there were no avoidable delays in responses relating to financial audits.

RESOLVED

1. That the contents of Report No. 184/2012 be **NOTED**.

384. AUDIT OF PAYROLL SYSTEM – UPDATE

Report No. 189/2012 was received and introduced by the Head of Welland Internal Audit Consortium, Mr Gaughran, and provided an update of actions taken to address weaknesses in controls within the Payroll System, previously reported to the Committee.

During consideration the Committee noted the following points:

- The overall opinion of the internal auditors was that a strong set of controls over the payroll system for 2012/13 were in place.
- Members thanked officers for bringing the report back to the Committee which addressed their earlier concerns.
- A request was made to receive a copy of the full report in addition to the executive summary presented. It was suggested that the executive summary provided sufficient detail for the role of members.
- Paragraph 4.2 of Report No. 189/2012 suggested examples of human error. In explanation, errors identified were specifically relating to monthly mileage/expenses claims and the presentation of the relevant receipts in support. The claims were found to be legitimate on production of the required supporting evidence following investigation. It was acknowledged that it was difficult for staff to provide a VAT petrol receipt every month and so this had highlighted an area for further consideration of how to interpret the guidance provided by the HMRC in respect of VAT on mileage.
- The deadline originally agreed of 30th September 2012, in respect to the solution required to give proper assurance about changes in payments to Adult Learning Tutors, was to be confirmed if achievable.

RESOLVED

1. That Report No. 189/2012 be **NOTED**.

385. COUNTER FRAUD STRATEGY

Report No. 196/2012 was received and introduced by the Strategic Director for Resources, Mrs Mogg, which requested approval of the Counter Fraud Strategy and the Whistle Blowing Policy for recommendation to Full Council. The strategy and policy had been prepared by the Head of the Welland Internal Audit Consortium, Mr Gaughran, and were in line with the other authorities which formed the Consortium.

During consideration the Committee noted the following points:

- In order to roll this strategy out to line management, it would be included on the training programme which would form part of the internal audit work plan for the year. The Welland Consortium had rolled out similar strategies in other authorities within the Consortium with training material developed in two formats. One format was an e-based self supporting package, the other was

in the form of PowerPoint presentations to support coaching for officers and, potentially, members. Work would be ongoing to promote and encourage an understanding of the strategy in this year and future years.

RESOLVED

1. That the approval of the Counter Fraud Strategy shown at Appendix A to Report No. 196/2012 be **RECOMMENDED TO COUNCIL**.
2. That the approval of the Whistle Blowing Policy shown at Appendix B to Report No. 196/2012 be **RECOMMENDED TO COUNCIL**.

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In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Richardson requested that his abstention from the vote be recorded as he had not had sufficient time to consider the information contained within Report No. 196/2012.

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386. STRATEGIC RISK REGISTER

Report No. 195/2012 was received and introduced by the Strategic Director for Resources, Mrs Mogg, who advised that there were no significant changes to the Strategic Risk Register since the last meeting of the Committee.

During consideration the Committee noted the following points:

- Concern was noted that the rating remained red for significant planning applications. It was explained that a number of significant applications had been received and more were anticipated in the near future. Until these have been considered and decided this rating would remain high due to the potential costs involved. Mandatory training for consideration of retail planning applications for members was being investigated as costs around potential mistakes were considerable.
- In respect of Catmose Campus, it was felt that the cost concerned should be borne by the main contractor, however negotiations remained ongoing. It was hoped that when these issues were reviewed, the risk would be different.
- The Portfolio Holder for Finance and Places Asset Management, Mr King, asked the Committee, through the Chairman, to consider inclusion of the retention and recruitment of senior staff, following recent blog activity and comments made by both the public and Members, as an item on the Strategic Risk Register. This suggestion was in view of the increase in accusations made against officers who were unable to respond and, as a result, the retention of these staff and subsequent recruitment was cause for concern. The Monitoring Officer confirmed that the Committee could request that the authority, as owners of the document, include this item.

RESOLVED

1. That the contents of the risk register and the actions underway to address the risk be **NOTED**.

2. That the request to include "Recruitment and Retention of Senior Staff" for evaluation and consideration within the Strategic Risk Register be **APPROVED**.

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In accordance with the provisions of Procedure Rule 79, paragraph 2 – Recording of Votes, Mr Richardson requested that his abstention from voting on Resolution 2, above, be recorded.

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387. AUDIT & RISK COMMITTEE WORKPLAN 2012/13

The work plan for the Audit and Risk Committee was considered and **APPROVED** as follows:-

January 2013

- Audit Commission Annual Audit Letter (to be presented at the next meeting)
- Internal Audit Performance Monitoring Report, to include Outstanding Audit Recommendations
- Strategic Risk Register
- Internal Audit Plan 2013/14 (to be presented at the next meeting)

Members also agreed that items could be added at a later date should this be necessary.

388. ANY OTHER URGENT BUSINESS

No items of other business had been received by the person presiding.

The Chairman closed the meeting at 8.58pm