



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 on Tuesday 22 January 2013.

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

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: Mr S Della Rocca Interim Strategic Director for Resources
Mrs A Diffey Information Specialist
Mr R Gaughran Head of Welland Internal Audit Consortium
Mr C Green Welland Internal Audit Consortium

Others in attendance: Mr N Bellamy Appointed Auditor , KPMG LLP

Apologies: No apologies were received.

---oOo---

It was agreed that the agenda of the meeting would be slightly amended in order to take agenda item 6 – Internal Audit Performance Report (Report No. 16/2013) before agenda item 5 – Public Sector Internal Audit Standards (Report No. 17/2013).

---oOo---

642. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the minutes of the Audit and Risk Committee held on 25 September 2012 be confirmed and signed by the Chairman.

643. DECLARATIONS OF INTEREST

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

644. PETITIONS, DEPUTATIONS AND QUESTIONS

No petitions, deputations or questions had been received.

645. EXTERNAL AUDIT – AUDIT PLANNING 2012-13

Report No. 19/2013 was received from the Strategic Director for Resources.

Introducing the report, Mr Bellamy explained that the report was not the audit plan itself, but outlined arrangements for audit for the information of the Committee and gave an indicative fee. It was anticipated that the full plan, which was currently being made more meaningful for Rutland, would be presented to the next meeting of the Audit and Risk Committee which was scheduled to be held on 16 April 2013.

During consideration, the Committee noted that the indicative audit fee for 2012/13 was £86,000 whereas in 2011/12 it was £143,000. The substantial decrease was the standard 40% decrease for all local authorities compared with last year, which was as a result of the competitive tender exercise by the Audit Commission. KPMG LLP won the contract for the East Midlands, which resulted in a large reduction in fees, with the indicative fee level set for the next five years.

RESOLVED

1. That the plan at Appendix A to Report No. 19/2013 be **NOTED**.

646. INTERNAL AUDIT PERFORMANCE REPORT

Report No. 16/2013 was received and introduced by the Head of the Welland Internal Audit Consortium, Mr Gaughran, which allowed Members to monitor the performance of the Consortium in delivering the Council's internal audit service.

During consideration, the following points were noted:-

- Problems with audit staffing had now been resolved. Mr Gaughran introduced Mr Chris Green who has been in post since 2nd January 2013 as Mr Gaughran's deputy. There was a plan in place to give sufficient assurance to the Council, with work in hand to roll out terms of reference for outstanding audits of governance arrangements and customer facing services.
- Internal Audit had been doing work regarding outstanding audit recommendations. As of the date of this meeting, it was down to approximately a dozen outstanding overdue recommendations with the majority relating to recommendations not capable of being finalised until the adoption of the Counter Fraud Policy.
- The recent internal audit into Democratic Processes at the Council identified no issues; the service was as well organised and controlled as expected.
- Page 28 of the main report referred to reductions in the range and depth of testing within planned audits to ensure that the Audit Plan would be delivered in full, however this was no cause for concern. When the Plan was put together, broad estimates on the days required for particular audits were used. During detailed planning with the client

side there is scope to focus the individual audit on the significant risks and key controls and reduce the requirement for testing. That approach still gives assurance that risks of concern are properly managed.

- From the perspective of the Section 151 Officer, Mr Gaughran and his team give an opinion on internal control systems. This is an important opinion which helps to form the governance statement. If the Consortium could not do sufficient work in order for Internal Audit to give an opinion, this would be a concern, but it is not the case.

RESOLVED

1. That the contents of Report No. 16/2013 be **NOTED**.

647. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Report No. 17/2013 was received and introduced by the Head of Welland Internal Audit Consortium, Mr Gaughran, which sought to advise members of the likely impact of the new Standards.

During consideration, the following points were noted:-

- The report was submitted for information and that there would be work around training and development for Committee members as the effect of the Standards become clearer. The Standards come into effect on 1 April 2013 and plans were in place to assure as far as possible that internal audit operations conform to these Standards. It was not anticipated that there would be many changes with regard to day to day work, although it will result in changes in the annual audit planning process.
- There will be a requirement for more engagement between Internal Audit and the Committee. The Committee is required to act as gatekeeper for requests for unplanned audit work and to satisfy itself that this work and the audit plan can be delivered. The Committee will also monitor unimplemented recommendations and the effectiveness of recommendations.
- An independent review of the effectiveness of the Internal Audit would take place every five years. It was not clear at this time who would undertake this independent review and what the cost would be to the Council.
- Mr Gaughran would work with Mr Pook, Head of Corporate Governance, to ensure that all members of the Committee receive appropriate support and training to ensure the effectiveness of the Committee. There would be an opportunity for joint training across the Welland sites. Consideration of the opportunity to shadow internal audit would be delegated to the Chairman of the Committee, and whilst Members would prefer training prior to the implementation of the new Standards in April, it was accepted that staffing issues and changes in Committee membership may not make this feasible.

RESOLVED

1. That the contents of Report No. 17/2013 be **NOTED**.

648. INTERNAL AUDIT PLAN 2013/14

Report No. 18/2013 was received and introduced by the Head of Welland Internal Audit Consortium, Mr Gaughran, which sought to advise Members of a change in the planned schedule for approving the 2013/14 Audit Plan and the reason for that change.

During consideration, the following points were noted:-

- This was an interim approach to planning, as the new Public Sector Internal Audit Standards required a different approach. It was anticipated that the Internal Audit Plan for 2013/14 would be presented to the Committee at its meeting scheduled to be held on 16 April 2013.
- Mr Gaughran was working with senior managers to identify pressing risks for 2013/14 that were capable of auditing and audit assurance. It was anticipated that although the Standards were only officially published on 31st December 2012, the new plan would be substantially confirming with the new Standards.

RESOLVED

1. That the contents of Report No. 18/2013 be **NOTED**.

649. STRATEGIC RISK REGISTER

Report No. 15/2013 was received and introduced by the Interim Strategic Director for Resources, Mr Della Rocca, who presented the current risk register to the Committee and advised that there had been three new risks added to the register.

During consideration, the following points were noted:-

- The Risk Register was a standing item on the agenda and since the Committee's last meeting in September 2012, it has been kept under review and updated where necessary.
- Three new risks had been added to the Register, being risks numbered 25, 26 and 28. Risk number 27 had been added to the register after being proposed by the Deputy Leader, Mr King, and related to the retention and recruitment of staff.
- Risk Number 25 – Local Sustainable Transport Bid related to the risk of implementation delays and failure to deliver within funding limits. The bid was won last year and the Council had until March 2015 to deliver. The reputational risk to the Council was identified as being a significant risk, however the Council has put in place arrangements to ensure successful implementation of the project.
- Risk Number 26 – Cellar Collapse related to the risk of collapse of private cellars under public highways for which the Council was responsible. The cellars themselves were the responsibility of private owners, not the Council, however it was incumbent on the Council to

serve a notice on a private sector landlord or tenant requiring them to maintain their cellars to ensure they do not collapse and do damage to the public highway or cause injury. The matter had been brought to the attention of the Council following a collapse in a market town. Officers were ensuring compliance with the relevant Code of Practice.

- Risk Number 28 – Housing Stock Transfer Warranties and Residual Environmental Liabilities related to the management of residual liabilities relating to contaminated land and building materials, flooding, demolition and redevelopment. The Council took out insurance to offset any potential cost that the Council may incur when the properties were transferred to Spire Homes. Every year the Council receives information from Spire Homes to review the risk assessment and ensure that the Council had appropriate insurance cover. The risk was rated green and was included in the register so that the Committee would be aware that officers were taking action in relation to this matter.
- Officers will continue to update the register as it was important to keep it up to date in order to enable Internal Audit to develop audit products that can assist the Council. It was acknowledged that this could develop further as the Committee changes and Members identify areas for audit and assurance.
- The Committee asked whether the risk description regarding Risk Number 27 – Retention and Recruitment of Senior Staff could be broadened to identify that reputational damage could also impact the Council's ability to encourage quality candidates to stand for election. It was considered that it was important to show that the Council was not afraid to address these issues.
- Members requested an update on Risk Number 12 – Catmose Campus, which related to the financial outturn above budget due to prolonged contract, service connections and archaeology / asbestos issues and post contract defect rectification management. It was agreed that the Interim Strategic Director for Resources would arrange for an update to be circulated to all members.
- Members requested an update on Risk Number 1 – Impact of Schools Converting to Academy Status, as it was identified that there were more primary schools converting and it was not clear at what point the risk would become more serious for the Council. It was acknowledged that the more schools that convert, the greater the risk to the Council with regard to funding available to support other schools. It was agreed that the Interim Strategic Director for Resources would arrange for an update to be circulated to all members, to include information on schools known to be, or looking into, converting to academy status.
- Members requested an update on Risk Number 3 – Organisational Development. The Interim Strategic Director for Resources confirmed that the new appraisal system had been rolled out in June 2012 and that most staff had had their appraisals under the new system, with a

completion deadline of the end of March 2013 for all staff. The register needed updating to reflect this.

RESOLVED

1. That the contents of the Risk Register at Appendix A to Report No. 15/2013, and the actions underway to address the risks, be **NOTED**.

650. AUDIT & RISK COMMITTEE WORKPLAN 2013/14

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

April 2013

- External Audit Plan 2012/13
- Internal Audit Performance Monitoring Report, inc. Outstanding Audit Recommendations
- Risk Register
- Internal Audit Plan 2013/14
- Annual Governance Statement
- Public Sector Internal Audit Standards (training and support)

Members also agreed that a report from KPMG on the results of an audit on grant claims, which gave a clean bill of health and identified no concerns, could be circulated to members outside the meeting as the agenda for the next meeting was already substantial.

651. ANY OTHER URGENT BUSINESS

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

The Chairman closed the meeting at 7.45pm.