



Rutland County Council

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Minutes of a meeting of the **AUDIT AND RISK COMMITTEE** held in the Council Chamber, Catmose, Oakham, at 7.00pm on Tuesday 16 April 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 M D A Pocock Portfolio Holder for Resources and Places Operations (covering Highways and Waste Services)

Officers present: Mr S Della Rocca Interim Strategic Director for Resources
Mrs K S Dunleavy Governance Officer, Peterborough City Council
Mr R Gaughran Head of Welland Internal Audit Consortium

Others in attendance: Mr N Bellamy Appointed Auditor , KPMG LLP – Director
Mr M Norman Appointed Auditor , KPMG LLP - Manager

Apologies: Mr T C King Portfolio Holder for Finance and Asset Management.

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899. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the minutes of the Audit and Risk Committee held on 22 January 2013 be confirmed and signed by the Chairman.

900. DECLARATIONS OF INTEREST

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

901. PETITIONS, DEPUTATIONS AND QUESTIONS

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

902. EXTERNAL AUDIT – AUDIT PLANNING 2012-13

Report No. 88/2013 from the Strategic Director for Resources was received. Mr Bellamy, Director of KPMG Audit Team introduced the report which set out the approach of the audit for:

- The Council's Statement of Accounts;
- Whole of Government Accounts return; and
- Value for Money.

During discussion, the following points were noted:-

- i The Audit fees had been reduced from £143K to £86K for the financial year 2013/14. The forty percent saving was presented following a decrease in the Audit Commission's levy charges following an efficiency saving exercise;
- ii Extra work that was conducted by KPMG on the final accounts would incur an additional fee to Rutland County Council. Examples of the types of extra work generated would include:
 - a Incompleteness of documented evidence such as working papers;
 - b Timeliness in receiving relevant documentation; and
 - c Elector questions in relation to the accounts.
- iii In addition, officers advised that any proposed extra costs as part of the external audit would be reported to the Strategic Director for Resources and the Audit and Risk Committee before the exercise commenced;
- iv A detailed report on extra charges incurred would be produced, which would explain who had raised the challenge and how much the investigation by external audit had cost the Council;
- v The extra charge reports would be presented to the Audit and Risk Committee on completion of the work;
- vi KPMG officer hourly rates were available on their website;
- vii Officers confirmed that the audit of the accounts was straightforward as the Council does not have any complicated accounting arrangements such as separately owned companies;
- viii In the past, the Audit Commission had operated with a degree of goodwill over issues raised such as elected challenges or lack of documented evidence for the accounts and had not made an additional charge; and

- ix If extra costs were incurred by the Council, the Strategic Director for Resources would challenge whether external audit was working efficiently and effectively.

RESOLVED

1. That the contents of Report No. 88/2013 be **NOTED**.

903. PUBLIC SECTOR INTERNAL AUDIT STANDARDS TRAINING AND SUPPORT FOR MEMBERS

Report No. 92/2013 from the Strategic Director for Resources was received. Mr Gaughran, Head of Welland Internal Audit Consortium introduced the report on the work in hand to develop and deliver training and other support relating to the Public Sector Internal Audit Standards. The report sought members' views about the preferred arrangements for training delivery.

During discussion, the following points were noted:-

- i Effectiveness of the training programme was dependent on the level of commitment by Committee Members;
- ii The new audit standards regime came into effect from 1 April, however, the first sighting of the guidance had been available from the end of December 2012;
- iii It is anticipated that CIPFA will provide additional guidance on the way in which the Standards are to be applied in practice;
- iv It was unlikely for Rutland to experience an independent external review in the financial year 2013/14;
- v In general Members felt that:
 - a Training would need to be implemented quickly in order for Members to become familiar with the new audit standards as the Committee's work was subject to scrutiny;
 - b It would be prudent to introduce the training programme after Annual Council when the Committee memberships had been agreed; and
 - c There should be a shared pool of training through the Welland Consortium for Chairmen and Committee Members.
- vi Officers advised that there would be a degree of commitment required from Members, as some of the training proposed through the Constitution Review Working Group would entail half day sessions; and
- vii Not all training contained within the programme would be applicable for every Member but all Members would be provided with the opportunity to undertake training.

RESOLVED

1. That the contents of Report No. 92/2013 be **NOTED** and that the Head of Consortium should produce a schedule of suitable training.

904. INTERNAL AUDIT PERFORMANCE REPORT

Report No. 90/2013 from the Head of Welland Internal Audit Consortium was received . Mr Gaughran,introduced the report on the performance of the Consortium in delivering the Council's internal audit service.

During discussion, the following points were noted:-

- i The scoring level of 'sound' was the second highest assurance rating indicating that recommendations made did not relate to material weaknesses or errors;
- ii Reporting arrangements would be modified in 2013/14 so that Members receive – in respect of each completed audit – an executive summary, which will provide sufficient evidence to support the assurance rating for the audit; and
- iii Officers felt that staff turnover had impacted on the number of audits that had not been completed on time, this also meant that audits were taking longer than usual. The main issues highlighted were with new members of staffs' level of knowledge of the controls in place.

RESOLVED

1. That Report No. 90/2013 be **NOTED**.

905. INTERNAL AUDIT PLAN 2013/14

Report No. 91/2013 from the Head of Welland Internal Audit Consortium was received. Mr Gaughran, Head of Welland Internal Audit Consortium introduced the report on the internal Audit Plan for 2013/14.

The key points highlighted were:

- i The adoption of the zero based approach on risks identified by clients was rolled out in December 2012;
- ii The integration of the zero based plan was still ongoing;
- iii Reduction of the need of full assessments for low risk fundamental financial systems should be seen as positive approach;
- iv The Audit and Risk Committee would be able to operate their Gate Keeping role to raise questions about the new audit process;
- v The work that the External Auditor plans to place reliance on will be identified separately; and
- vi The main types of risks identified for the Council had been categorised and included fraud risks, Information Technology risks; governance risks; and service risks as well as financial risks.

RESOLVED

1. That the 2013/14 Internal Audit Plan be **APPROVED**.

906. STRATEGIC RISK REGISTER

Report No. 94/2013 from the Strategic Director for Resources was received. The Strategic Director for Resources introduced the report. Members were also informed of the new Risk Register report process, which had been extended to include regular reports to relevant Scrutiny Panels

The following points were noted during the discussion:

- i The risk register was to be monitored by the Audit and Risk Committee;
- ii The risk register would be updated on a regular basis where appropriate;
- iii Members felt that the arrangements implemented to monitor the Risk Register through the Audit Committee and the various Scrutiny Panels was a sensible approach;
- iv A member asked whether the Consortium planned to carry any work relating to the Recruitment and Retention of Staff risk; it was confirmed that work is planned that would address some of the impacts on staff turnover;

RESOLVED

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

907. COUNTER-FRAUD STRATEGY

Report No. 100/2013 from the Strategic Director for Resources was received. The Strategic Director for Resources introduced the report on the current status of the action points of the Counter - Fraud Strategy.

During discussion, the following points were noted:-

- i The Fraud Strategy was agreed in November 2012 and was introduced to mitigate the risk of fraud for Rutland;
- ii The majority of actions had been progressed in line with agreed timescales;
- iii Officers felt that it was difficult to monitor the Members' Register of Interests.

RESOLVED

1. That the current status of the Counter-Fraud Strategy Action Plan be **NOTED**.

908. STATEMENT OF ACCOUNTS – ANNUAL GOVERNANCE STATEMENT

Report No. 99/2013 from the Strategic Director for Resources was received. The Strategic Director for Resources introduced the report on the Annual Governance Statement which was to be submitted with the Statement of Accounts.

The following points were noted during the discussion:

- i Rutland's visions, aims, objectives and constitutional arrangements within the Governance Framework were included in order to inform the public of the Council's approach;
- ii The Framework would provide information on how effective Rutland County Council's governance arrangements were;
- iii The effectiveness of the Council's governance arrangements is informed by Internal Audit, External Audit, Inspectors, work of Scrutiny Panels etc;
- iv The conclusion is that the Council's governance arrangements are working well except for the issues noted in section 5;
- v Officer approval of the Council's Annual Accounts and Annual Governance Statement would be sought by the end of June, with overall approval by Audit and Risk Committee at the end of September; and
- vi Mr Pocock, Portfolio Holder for Resources and Places Operations advised the Committee that a detailed report on payroll control issues, was due to be presented at Council on 23 April.

RESOLVED

1. That the inclusion of the Annual Governance Statement in the 2012/13 Statement of Accounts, subject to any further changes made by the Strategic Director for Resources in consultation with the Chairman, be **SUPPORTED**.

909. UPDATE ON THE PRODUCTION OF THE STATEMENT OF ACCOUNTS 2012/13

Report No. 78/2013 from the Strategic Director for Resources was received. The Strategic Director for Resources introduced the report on the progress of the production of the statement of Accounts 2012/13.

The following points were noted during the discussion:

- i The production of the Statement of Accounts for 2012/13 would follow the same process as previous years with some minor technical adjustments;
- ii Production of good working papers would avoid extra external audit fees;
- iii Quality control was to be increased in the Finance Team in order to provide a sound statement of accounts; and

- iv There would be a training session for Audit and Risk Committee Members on the Statement of Accounts.

RESOLVED

1. That the contents of Report No. 78/2013 be **NOTED**.

910. AUDIT & RISK COMMITTEE WORKPLAN 2013/14

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

June 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

Members also agreed that training on the new audit standards was to be included on the work plan for June 2013.

911. ANY OTHER URGENT BUSINESS

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

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The Chairman closed the meeting at 8.08pm

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