

**Audit and Risk Committee – Meeting held on Thursday, 10th July, 2014.**

**Present:-** Councillors Chohan (Chair), Dhaliwal, Dhillon, Mansoor, Zarait (Vice-Chair) and Mr Kwatra (from 6.39pm)

**Apologies for Absence:-** Councillor Sandhu

**PART 1**

**1. Declarations of Interest**

None.

**2. Minutes of the last Meeting held on 13th March 2014**

**Resolved –** That the minutes of the meeting held on 13<sup>th</sup> March 2014 be approved as a correct record.

**3. Audit & Risk Committee - Terms of Reference**

The Assistant Director, Finance & Audit provided Members with an overview of the remit of the Committee in relation to both internal and external audit; financial statements; value for money; and the wider governance framework of the Council. It was proposed and agreed that in future the Committee would consider the quarterly Finance and Performance monitoring report.

It was noted that the changes to the terms of the reference of the Committee had been agreed at Council on 22<sup>nd</sup> April 2014, therefore in future the Committee would take responsibility for the approval of the Annual Governance Statement and financial statements on behalf of the Council. The Committee felt that it was important for other Members to have the opportunity to raise questions and comment on the financial statements and it was therefore agreed that the process for doing this would be set out in the Members' Bulletin prior to the September meeting at which the financial statements would be approved.

**Resolved –**

- (a) That the Audit & Risk Committee's Terms of Reference be noted.
- (b) That the Committee receive Quarterly Finance & Performance Monitoring Reports at future meetings.
- (c) That all Members be advised of the opportunity to raise questions or comment upon the financial statements prior to the approval by the Committee in September 2014.

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### **4. Audit and Risk Management Update - Quarter 4 2013/14**

The Assistant Director, Finance & Audit introduced the Management Update for the fourth quarter of 2013/14 which set out the progress made against the 2013/14 Internal Audit Plan; the 2013/14 Internal Audit Annual Report; counter-fraud activity; and the Council's risk register.

#### Internal Audit Progress Report – 4<sup>th</sup> Quarter

Members were informed that internal audit reports continued to be completed at a more appropriate rate than had been the case in the previous financial year and that the comparative percentage of red and amber-red reports had decreased significantly. It was noted that 58% of 'high' and 'medium' recommendations made following internal audits had been implemented with 'no progress' being reported on only 3% of recommendations.

The Head of Internal Audit reported that 22 audits had been finalised since the last meeting of the Committee which included two 'red' and four 'amber-red' opinions. One report from 2012/13 remained outstanding – the Carbon Reduction Commitment Programme – and an internal audit would be conducted in the first quarter of 2014/15 for Carbon Reduction and the outstanding report would be finalised during this new review. Of the 52 audits conducted during the year, 42 had been finalised with 10 in draft, four of which were for schools.

Members discussed the process for selecting areas for internal audit and it was noted that the audit plan included core systems requiring regular review; follow ups if issues had arisen during previous reports; and areas identified by management as key areas of risk as set out in the Corporate Risk Register.

#### Internal Audit Annual Report 2013/14

The Head of Internal Audit reviewed the Annual Report for 2013/14 and it was noted that the Internal Audit Opinion for the year to 31<sup>st</sup> March 2014 was amber in relation to the adequacy and effectiveness of the Council's arrangements for governance, risk management and control. The number of green and amber-green reports had risen from 41% in 2012/13 to 54% in 2013/14. It was noted that at the Council's request, children's social services had not been included in the audit plan for the year due to the other external assurances and inspections undertaken in this area.

The Head of Internal Audit reported on their review of the Council's risk management activity which had been undertaken in an advisory capacity. The outcomes of the review were detailed on page 39 of the agenda and it was noted that further improvements were required to build upon the existing approach and governance arrangements relating to risk management.

Members also discussed the capital programme and the tracking of outcomes achieved. The Assistant Director highlighted that the Balanced Scorecard and Gold Project Updates detailed in the quarterly Finance and Performance

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reports that had been agreed would come to future meetings would set this out fully. The Committee also raised a number of issues about the governance implications arising from the increasing number of academies and it was agreed to circulate further information to Members about the number of academies in the Borough at the present time.

### Management Update

The Assistant Director updated Members on a variety of other matters including a summary of fraud activity over £10,000 and the Corporate Risk Register. The one significant update to the register was a change in the nature of risk for Children's Services with the new risk of 'Children's Services future delivery arrangements' being added to the register.

### Contract Management and Procurement

In view of the fact that contract management had been highlighted as a significant risk in the Annual Governance Statement, the Interim Assistant Director, Commissioning & Procurement updated Members on the work being undertaken on the review of major contracts and activities to improve the governance and performance management of the Council's procurement processes.

Members were advised that a series of actions had been undertaken to better manage existing contracts and to find efficiencies. A departmental restructure had taking place which gave the Interim Assistant Director direct responsibility for some of the key contracts and 'dotted line' responsibility for others. The process and timeline of the major contracts review was outlined and Members discussed a number of issues including the contracts register, the measurement of value for money and the engagement of directorates across the Council in buying in to the new approach. The role of Members in the decision making process was also discussed and it was noted that some of the major contracts to be reviewed would be considered by Scrutiny at the appropriate time. It was also agreed that a co-ordinated approach between the Overview & Scrutiny Committee and Audit & Risk Committee be undertaken on the procurement strategy and review of major contracts to ensure appropriate Member oversight without undue duplication.

### **Resolved –**

- (a) That the Internal Audit Progress Report be noted.
- (b) That the Internal Audit Annual Report for 2013/14 be noted.
- (c) That progress on the implementation of Internal Audit recommendations be noted.
- (d) That the Council's latest counter-fraud activity be noted.
- (e) That the Corporate Risk Register be noted.

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- (f) That the update on contract management and procurement be noted, and that consideration be given to joint work with the Overview & Scrutiny Committee on this issue.

### **5. Annual Governance Statement**

The Assistant Director, Finance & Audit reviewed the draft Annual Governance Statement (AGS) for 2013/14. Members attention was drawn to the actions taken in response to the issues reported in the 2012/13 AGS and to further significant issues highlighted by internal audit during the year, which included contract management and rent accounts. The future delivery arrangements for Children's Services had also been added to the Corporate Risk Register.

The External Auditor, Mr Grant, stated that the AGS would be part of the work programme for the external audit and he updated the Committee on the current position. The draft Statement of Accounts 2013/14 had been submitted and published by 30<sup>th</sup> June 2014 in line with statutory requirements and the auditors were currently planning their work based on key areas of risk. The external auditors had been working closely with officers to implement the improvement plan that had been agreed to address some of the issues previously experienced during the audit process and the Committee were assured that a number of improvements had been evident in the presentation of the draft accounts. Mr Grant stated that he would inform the Committee of any significant issues identified during the audit and that he intended to present his opinion to the Committee in September.

Members discussed a number of issues relating to the audit process and AGS including the Council's management structure and the level of confidence that the audit timetable would be met.

**Resolved –** That the Annual Governance Statement be noted and be considered for approval in September 2014 alongside the financial statements following the external audit.

### **6. Date of Next Meeting - 23rd September 2014**

Members were reminded training would be held on 'Understanding the Accounts and Governance' on 16<sup>th</sup> September 2014, prior to the next meeting on the Committee on 23<sup>rd</sup> September.

**Resolved –** That the next meeting of the Committee be held on Tuesday 23<sup>rd</sup> September, 2014 at 6.30pm.

Chair

(Note: The Meeting opened at 6.32 pm and closed at 8.00 pm)