



Minutes of the meeting of the AUDIT COMMITTEE held on TUESDAY 5 NOVEMBER 2013 at 7.00 pm

Present: Councillor Brackenbury (Chair)
Councillors S Burke, Jury, Marland and McDonald

Independent Members: -

Officers: M Hodgson (Partnership Director [MKSP LLP]), D Wilkinson (Assistant Director [Audit and Risk Management]), L Baker (Head of Internal Audit), (J Pettitt Head of Risk & Insurance) and D Imbimbo (Committee Manager).

Apologies: Councillor Long, Mr Farookhi, Mr Preston, T Hannam and I Ali.

Also Present: Councillors Bald and Hoyle and C Ryan (Ernst and Young [External Audit])

AC23 MINUTES

RESOLVED –

That the Minutes of the meeting of the Audit Committee held on 24 September 2013 be approved and signed by the Chair as a correct record.

AC24 DISCLOSURE OF INTERESTS

None were made.

AC25 REFERRAL FROM HOUSING AND COMMUNITIES SELECT COMMITTEE

The Committee received a referral from the Housing and Communities Select Committee in the terms:

“That Audit Committee be requested to consider carrying out an audit of void Council housing properties which will include the full implications of the cost of voids to the Council, both in terms of financial cost and the impact on Council performance and that any audit draws on both internal officer views and practice elsewhere, including other registered social landlords and, if appropriate, the private sector.”

Members heard from Councillor Hoyle whilst considering this matter.

The Head of Internal Audit confirmed that the section had the capacity to take on the audit should Members determine there was

merit in so doing, this could report back to the Select Committee in the new year.

RESOLVED: -

That the referral be accepted and the internal audit service are commissioned to conduct an audit into void costs and turnaround times alongside a scheduled audit within the housing service..

AC26

INTERNAL AUDIT PROGRESS PLAN

The Committee considered a report in respect of the Internal Audit Progress Plan.

Members heard from the Head of Internal Audit (HoIA) that since the last meeting the Stantonbury Campus Follow Up Audit had now been carried out and the overall opinion was now 'Satisfactory', also that 3 additional unplanned audits /investigations had been put in the programme.

As the audit plan is a live document it will need to change as risk exposures change. As such the Committee was asked to approve the suggested cancellations or postponements of audits in the original plan..

Members heard that the HIA made the decision as to whether to undertake additional work requested during the year taking into consideration the concerns that the sponsor, who was often the Service Head, held which prompted the request.

Members expressed concern at the 'limited assurance' rating given to a specific report. The Head of Internal Audit explained that this had been arrived at taking account of the accumulative effect of numerous minor risks rather than a major key control failure. Members heard that these were being addressed within the service with urgency.

Members noted that some audits relating to project management were to be cancelled, the HoIA explained this was due to a change of audit process whereby instead of conducting high level Health check reviews as had been done previously a more in depth 'Health check' process was to be undertaken.

RESOLVED: -

1. That the report be noted and revisions be agreed with the exception of Planning Obligations.
2. That it be recorded that the Committee held an expectation that any revision of the process to conduct audits in respect of project management would make them more rigorous.

AC27

ANNUAL RISK MANAGEMENT REPORT

The Committee considered the annual Risk Management Report.

Members heard that there had been a significant number of positive

changes to the corporate strategic risk register in the last quarter and this was seen as a positive outcome of the intervention at Assistant Director level to address the corporate approach to business continuity plans.

Whilst the use of GRACE was increasing there remained a number of projects that were not listed on GRACE and where this was the case there was a need to ensure that risk management was being undertaken. Members heard that it was a mandate that projects would be managed on GRACE and work continued to identify blockages that were preventing its use. It was also recognised that there was a need to ensure that once a project was on the GRACE system the data was up to date and risks that were identified are managed; the existence of a risk register on GRACE did not by itself mean that effective risk management was being undertaken. Members emphasised their expectation that there would be usage of GRACE in all projects.

Members considered the GRACE compliance data provided with the officer report (annex C1 and C2) and asked that future data include date that a project is initially entered on GRACE and the date of the last entry.

RESOLVED: -

1. That the Annual Risk Management Report be noted.
2. That future GRACE compliance data reports include the date a project is entered on GRACE and the date of the last entry
3. That the Audit Committee reaffirms its support for 100% compliance with management of projects through GRACE
4. That any projects not being managed using the GRACE system be reported to the Audit Committee.

AC28

MKSP ANNUAL GOVERNANCE STATEMENT 2012/13 – ACTION PLAN UPDATE

The Committee considered a report from the Partnership Director (MKSP) setting out the progress made against the MKSP Annual Governance Statement 2012/13 Action Plan.

The Committee heard that progress on embedding the LLPs into the Governance procedures had been made with the updating of Financial Regulations and other rules to be to reflect LLPs having been completed and that Interim business plans were currently in place and full business plans were to be submitted to the Cabinet by March 2014.

Members heard that in respect of Communication of the governance relationship between the Council and the LLPs briefings had been provided for Members and Officers, the Partnership Director (MKSP) asked spokespersons to extend an invitation to their respective

groups for a presentation to be given should they wish it.

Members also heard that a detailed review of each service area the interface between MKSP and the Council was to be undertaken and will be reported to Cabinet in March 2014 with recommendations.

Members were told that MKSP reports to Cabinet on a regular basis, providing details of the financial position and highlighting any issues that require Member consideration. In terms of governance arrangements, the MKSP board met on a bi-monthly basis and was made up of all-party representatives of the Council, the Chief Executive of MKC, the Corporate Director of Resources and the Partnership Director of MKSP

RESOLVED:-

1. That the report be noted
2. That Spokespersons consider inviting the Partnership Director [MKSP LLP] to attend their respective Group meetings to explain the the role of the Partnership and its relationship to the Council.

AC29

INTERNAL AUDIT AND AUDIT COMMITTEE ENGAGEMENT

The Committee considered a report in respect of Internal Audit and Audit Committee Engagement, together with the draft Internal Audit Charter and Strategy documents.

The Committee heard that at its meeting in September the Audit Committee requested a report to consider the mechanisms of how Internal Audit engages with and gives suitable assurance to the Audit Committee.

Members were reminded that Internal Audit is provided via MKSP in accordance with the Public Sector Internal Audit Standards (PSIAS) and relevant legislation such as the Local Government Act 1972 and the Accounts and Audit Regulations, and that whilst these requirements set relevant standards there remained scope to tailor Internal Audit processes and the approach to the needs of the organisation. The standards and approach adopted by Internal Audit was usually enshrined within a Charter and Strategy, and that as part of the service review within MKSP the Internal Audit service, its processes, structures and policies were being reviewed.

Members heard that consultation on the draft Charter and Strategy would be undertaken with all stakeholders and that as part of the consultation the Audit Committee was invited to make comment on any aspect of them.

Members commented on a number of points within the documents, in particular Members supported the proposal to introduce formal training for the Committee. In considering the continued use of four 'opinions' of audits conducted, Members supported this approach but would welcome additional detail where grades of Limited and Weak were awarded. Members were invited to consider forming a sub-committee to review draft reports recognised that this was unlikely to

be achieved due to other commitments and would act as a high level of operational involvement of members.

The Head of Internal Audit sought clarity from members in respect of the level of involvement they would hope for in audits and whether they would want to be involved in the determination of terms of reference, it was generally held that only in circumstances where the Committee had commissioned an investigation would they expect to be consulted on the terms of reference of the inquiry.

Members were invited to submit any written observations in respect of the draft Internal Audit Charter and Strategy to the Head of Internal Audit by 30 November 2013.

The Committee heard that it was intended that a report and the final drafts of the Charter and Strategy would be taken to the meeting of the Committee on 8 April 2014.

RESOLVED; -

1. That the report be noted
2. That the Chair and Spokespersons consider submitting any observations on the draft Charter and Strategy by 30 November 2013 to the Chair who would collate the responses

AC30

EXTERNAL AUDIT – ANNUAL AUDIT LETTER

The Committee considered the Annual Audit Letter for 2012/13.

The External Auditor told the Committee that the External Audit Letter for 2012/13 had been issued and there were no matters to raise that had not been previously reported.

RESOLVED;-

That the report and External Audit Letter 2012/13 be noted

THE CHAIR CLOSED THE MEETING AT 9:12 PM