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# Minute Item 1

## ACCOUNTS, AUDIT AND RISK COMMITTEE

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Bodicote House, Bodicote, Banbury, on 27 October 2008 at 6.30 pm.

Present: Councillor Ken Atack (Chairman)

Councillor John Donaldson  
Councillor Andrew Fulljames  
Councillor Timothy Hallchurch  
Councillor Simon Holland  
Councillor Alastair Milne Home  
Councillor George Parish  
Councillor Devena Rae  
Councillor Trevor Stevens  
Councillor Lawrie Stratford  
Councillor Mrs Rose Stratford

Officers: Julie Evans (Strategic Director, Customer Service and Resources)  
Karen Curtin (Chief Accountant)  
Chris Dickens (Interim Chief Internal Auditor)  
Rosemary Watts (Risk Management and Insurance Officer)  
David Spilsbury (Audit Team Leader)  
David Best (Senior Democratic Services Officer)

Apologies for absence: an apology for absence was received from Mary Harpley (Chief Executive).

## RESOLUTIONS

### MATTERS NOT OF AN EXEMPT OR CONFIDENTIAL NATURE

#### AC.27 MINUTES

The Minutes of the meeting of the Committee held on 18 September 2008 were approved as a correct record and signed by the Chairman subject to (i) the name of Councillor Milne Home being added to the list of Members in attendance at that meeting; and (ii) "2007/2009" being amended to "2007/2008" in the second line of the first paragraph of Minute No. AC23.

#### AC.28 REVIEW OF STRATEGIC RISKS

Further to Minute No. AC.9 the Committee received a report of the Strategic Director, Customer Service and Resources which provided an update on the management of the Council's strategic risks (Cycle 1) in accordance with the approved rolling reporting cycle.

The report set out the results of the quarterly review/scoring exercise which showed that there were two strategic risks with a red gross risk score, four strategic risks with amber gross risk scores and that all six strategic risks currently had amber net risk scores. The approved revised planned cycle for reporting during 2008/2009 showed:-

- (1) Cycle 1: September 2008 (slipped to this meeting) -Strategic Risk Nos. FO1.0397 and FO1.0347;
- (2) Cycle 2: December 2008 - Strategic Risk Nos. FO1.0350 and FO.0355;
- (3) Cycle 3: March 2009 - Strategic Risk Nos. FO1.0398 and FO1.0399.

The Committee then considered:-

- (1) the report of the Chief Executive on Strategic Risk No. FO1.0347 (The Council fails to meet its community leadership role) as set out in Annex B to the report. The Strategic Director, Customer Service and Resources agreed to circulate a copy of the Council's Partnership Protocol 2008 to all Members of the Committee;
- (2) the report of the Strategic Director, Customer Service and Resources on Strategic Risk No. FO1.0397 (Failure to have robust financial arrangements in place to deliver the Council's strategic agenda) as set out in Annex C to the report.

The Strategic Director, Customer Service and Resources agreed to (i) consider increasing the amount of information provided in the individual strategic risk reports submitted to this Committee; (ii) provide Members with details of the controls used to manage and monitor risks; (iii) investigate the practicalities of providing Member access to the Risk Register; and (iv) circulate details of the Briefing Note on the impact of the Icelandic banking situation on the Council's financial position which had formed part of the Member briefing held prior to the Council meeting on 20 October 2008.

The Committee agreed that Strategic Risk No. FO1.0398 (Failure to adapt to the economic issues and pressures in the District (Strategic Director, Planning, Housing and Economy)) should be brought forward from reporting Cycle 3 to Cycle 2 given the current economic situation.

#### **RESOLVED**

- (1) that the reports relating to the management of the strategic risks in Cycle 1, as set out in section 5.3 of the report, be approved;
- (2) that Strategic Risk No.FO1.0398 be brought forward from Cycle 3 to Cycle 2;
- (3) that no concerns be raised with the Executive at this time.

#### **AC.29 THE COUNCIL'S RISK MANAGEMENT WORKING GROUP (RMWG)**

Further to Minute No. AC.10 the Committee received a joint report of the Strategic Director, Customer Service and Resources and the Head of Exchequer which provided an update on the progress achieved by the recently formed Risk Management Working Group (RMWG) as part of embedding the risk management process across all levels of the Council.

The report detailed (i) the officer membership of the RMWG which was chaired by the Risk Management and Insurance Officer (the minutes of the first meeting held on

28 August 2008 had been circulated to all Members of the Committee); (ii) the work undertaken in encouraging staff in all business units to participate in the risk management process; (iii) the training carried out by the Risk Management and Insurance Officer for members of the RMWG and on the use of Magique (the Council's Risk Register); (iv) health and safety was part of risk management and was to be a standing item on all RMWG agendas; and (v) that RMWG Members were to ask their respective Heads of Service to include risk management as an item on all internal Team Meeting agendas; part of the embedding process was to listen to staff concerns so issues however minor could be addressed.

The Committee noted that RMWG meetings were to be held on 11 November 2008 and 9 February and 12 May 2009. The outcome of the RMWG meeting in November would be presented to the next meeting of this Committee on 17 December 2008.

**RESOLVED** that the report relating to embedding the work of the Risk Management Working Group be noted and no concerns be raised with the Executive at this time.

AC.30 **INTERNAL AUDIT PROGRESS REPORT 2007/08**

Further to Minute AC.7 the Interim Chief Internal Auditor submitted a report on progress on Internal Audit activity against the 2007/2008 Audit Plan for the period 1 April 2008 to date.

The Committee noted that the work on the Internal Audit Plan for 2007/2008 had been completed. There was no change to the Audit Opinion as a result of the completion of the outstanding work; details of the audits completed during the reporting period were submitted for information purposes.

**RESOLVED** that the progress report be noted.

AC.31 **INTERNAL AUDIT RISK ASSESSMENT AND AUDIT PLAN 2008/2009**

The Interim Chief Internal Auditor submitted the Internal Risk Assessment and Draft Operational Plan 2008/2009 for approval.

The Committee noted that in order to ensure that the Council's internal audit resources were effectively utilised use had been made of the current assessment of the most significant risks as part of the process for the preparation of the Annual Audit Plan 2008/2009. This approach was in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

The Internal Audit Risk Assessment was a key factor in deciding how to allocate the resources available to internal audit. This ensured that resources were focused on the areas which could be of most benefit to the Council by providing assurance to this Committee and the management on controls over key risks. The document set out the key risks and the responses of the internal auditors.

The Committee was also reminded that during the current financial year an Interim Chief Internal Auditor had been appointed for the period ending on 31 March 2009. The intention after that date was to outsource the internal audit function; two members of the in-house internal audit team had left the Council during the year. This meant that an additional resource would be required to fulfil the Audit Plan and

PricewaterhouseCoopers was to provide this. The intention was to deliver the Audit Plan by the end of March 2009.

**RESOLVED** that the Internal Audit Risk Assessment and Draft Operational Plan for 2008/2009 be approved as submitted.

**AC.32 INTERNAL AUDIT PROGRESS REPORT 2008/09**

The Interim Chief Internal Auditor submitted a report summarising the progress made against the Internal Audit Plan for 2008/2009 (Minute No. AC.31 above also refers).

The Committee was aware that there had been a significant overrun in completing the Internal Audit Plan 2007/2008. This had resulted in limited activity in relation to the 2008/2009 Plan. The revised Internal Audit Plan approved under Minute No. AC.31 recognised the need to complete almost a full year's Internal Audit Plan in the remaining 5/6 months of the current financial year. The intention, as mentioned above, was to deliver the 2008/2009 Audit Plan by 31 March 2009 by utilising external resources which were to be provided by PricewaterhouseCoopers.

**RESOLVED** that the progress report be noted.

**AC.33 INTERNAL AUDIT CHARTER**

The Interim Chief Internal Auditor submitted the Internal Audit Charter for approval.

The Committee was advised that the CIPFA Code of Practice for Internal Audit in Local Government 2006 required the Council to formally define the purpose, authority and responsibility of internal audit; an Audit Strategy and Terms of Reference had been approved by the Committee at its meeting on 15 September 2007 (Minute No.22/07 refers). The submitted Internal Audit Charter sought to build on the Audit Strategy and Terms of Reference and to set out clearly the role of internal audit within the Authority. The Charter was to be communicated to all staff. The Charter would be reviewed regularly to ensure that it reflected current requirements.

The Committee in considering the Audit Charter asked the Interim Chief Internal Auditor to consider the inclusion in Section 5 (Authority) of (i) reference to reporting to the Chief Executive (and the Leader of the Council as appropriate) where an issue was serious enough to require that course of action and (ii) the need to call special meetings of the Accounts, Audit and Risk Committee again if the issue was serious enough to warrant such action. The Committee also agreed that reference should be included to the Fraud and Corruption Reporting Policy in Section 4 (Responsibility).

**RESOLVED** that, subject to the amendments referred to above, the Internal Audit Charter be approved.

**AC.34 VERBAL UPDATES**

The Committee received the following verbal updates on various matters which fell within its purview:-

- (a) **Corporate Governance**

The Strategic Director, Customer Service and Resources advised the Committee of the recommended Audit Commission scores relating to Use of Resources as part of the closedown of the accounts. The scores were very encouraging although they were still subject to moderation and would not be official until the New Year.

The Committee placed on record its congratulations to the Strategic Director, Customer Service and Resources and her team on the outcome of the provisional Use of Resources scores.

The Chief Accountant also advised Members that with regard to the accounts (i) a balance sheet had been prepared for September which had been reconciled although there were several matters which were subject to checking; and (ii) the accounts were to be subject to closedown in December and an update would be available for the meeting on 17 December. The intention was to reduce the period for the closedown of the accounts for the current (2008/2009) financial year by two weeks.

**(b) VFM Review of Internal Audit**

The Chief Accountant reported that the companies who had expressed an interest in tendering for the Council's internal audit service had submitted nine Pre Qualification Questions. Following this, arrangements had been made for a meeting of tenderers at Oxford City Council on 10 November 2008. This presented the opportunity for all interested companies to ask questions on matters relating to the procurement process for outsourcing the internal audit function; all companies would receive a copy of the relevant answers to all questions raised whether or not they were present at the meeting. The current timetable provided that the tender documents would be issued in December.

**(c) Overview and Scrutiny**

The Chairman of the Overview and Scrutiny Committee (Councillor John Donaldson) briefed Members on the scrutiny review of concessionary fares. The review was to be conducted in two phases. Phase 1 would look at the cost of concessionary fares to the Council. The conclusions of Phase 1 had to be reported to the Executive in December as part the 2009/2010 budget process. Phase 2 in early 2009 would look at the accuracy of financial claims from the bus companies which might be of interest to this Committee.

**(d) Accounts, Audit and Risk Committee - Member Training**

The Committee noted that a briefing session had been held on the requirements of the International Financial Reporting Standards (IFSA).

The meeting ended at 8.02 pm.