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## **AUDIT AND RISK COMMITTEE**

**14 November 2011**

**Present:-** Councillor D Richards – in the Chair

Councillors Boden, Loades and Waring

469. \* **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor Snell.

470. \* **DECLARATIONS OF INTEREST**

There were none.

471. \* **MINUTES OF PREVIOUS MEETING**

**Resolved:-** That the minutes of the meeting of this Committee held on 26 September 2011 be approved as a correct record.

472. \* **TREASURY MANAGEMENT HALF YEARLY REPORT 2011/12**

Consideration was given to the Treasury Management Half Yearly report for 2011/12.

Reference was made to the Council's investment with the Heritable Bank and it was indicated that nine repayments totalling £1,619,497 have been received from the administrators Ernst and Young. Furthermore on 28 July 2011, the administrators had confirmed a revised estimate of a base case return of between 86% and 90% (in comparison to 79% and 85% base case return estimated on 28 January 2010).

The report also gave details of investments as at 30 September 2011. The Council held £12 million of investment on that date and had an average level of funds available for investment purposes in the first two quarters of 2011/12 of £16 million. The investment portfolio yield for the first six months of the year was 1.01% against a target of 1.00%. The Council's budgeted investment return for 2011/12 was reported to be £218,000 and it was indicated that as at the end of the first two quarters of 2011/12 interest of £112,000 had been earned.

A full list of investments was set out in the appendix to the report.

Having regard to the borrowing position for 2011/12 there was currently no intention to borrow to finance capital investment. The only borrowing envisaged by the 2011/12 Treasury Management Strategy was of a temporary nature to cover short terms cash flow deficits. In conclusion it was confirmed that no borrowing had taken place for the first half of the financial year.

**Resolved:-** (a) That the Treasury Management Half Yearly Report for 2011/12 be received.

(b) That a copy of the Treasury management Counter Parties List be forwarded to all members of this committee.

473. \* **HEALTH AND SAFETY HALF YEARLY UPDATE REPORT**

Consideration was given to the report of the HR Officer (Health and Safety) for the period April to September 2011.

The report provided a brief outline of progress made on health and safety matters during the above period and formed part of the Health and Safety Annual Report for 2011/12 that would be presented to the Committee in June 2012.

It was indicated that 15 work related accidents had been reported during the above period, one of which was reportable to the Health and Safety Executive as a major injury (broken bone in foot). In addition two dangerous occurrences and four verbal abuse /violence reports had been received.

Details of routine inspections carried out to date by the Health and Safety officer were also submitted as follows:-

- Park Pavilions
- Bradwell Crematorium
- Kidsgrove Control Service Centre
- Midway Car Park
- Civic Offices
- St George's Chambers

Inspections of Jubilee Baths and The Guildhall had also been carried out by the Corporate Health and Safety Committee.

Following all of the above inspections, reports had been sent to the premises manager and other responsible officer outlining the findings and advising on any necessary corrective action. Members expressed the view that a set auditable format for inspections should be adopted for all inspections and requested the officers to look into this.

The report also referred to an amendment to the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations extending from 3 days to 7 days the absence period which triggered the accident report to the Health and Safety Executive, that had been approved and would become law in April 2012.

Furthermore, the consultation on proposals by the Health and Safety Executive for recovering costs incurred when visiting organisations closed on 14 October 2011 with the Council's Head of Environmental Health Services responding on the Council's behalf.

**Resolved:-** (a) That the report be noted.

(b) That the officers look at the adoption of a set auditable format to be followed for all inspections.

474. \* **CORPORATE RISK MANAGEMENT REPORT FOR THE PERIOD JULY TO SEPTEMBER 2011**

A report was submitted detailing progress made by the Council in enhancing and embedding risk management for the above period including progress made in managing the identified risks.

It was indicated that the risk management process previously adopted by the Council had been reviewed to incorporate changes in the way the Council worked and to provide continuity and streamlined reporting of risks to the necessary stages so that it became further embedded at each level of the authority. This would further develop the identification of key risks that potentially threatened the delivery of the corporate priorities. The new Strategy would also provide a formal and proportionate framework to manage these identified risks and thus reduce the Council's exposure.

Members were advised that the Council monitored and managed its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) a software package for recording its High Red 9 risks at least monthly and its Medium Amber risks at least quarterly.

Details of the Council's most significant risks were highlighted in the report and it was indicated that after the review had taken place the following risks had been reduced through good risk management and the re-rating process:-

- Maintenance expenditure on The Midway car park reduced from an extreme risks (old rating system) to a medium amber 6 risk in the new rating systems.
- The retail led development of Ryecroft was proceeding and was now a medium amber 3 risk.
- The risk relating to the planning permission for Jubilee 2 had been re-rated from a high risk on the old system to a low green 2 with the project due for completion/handover during December 2011.

As a consequence of the above actions these risks would be removed from the next quarter's report.

In response to a request made at the last meeting during the discussions on Horizon Planning, a list of emerging legislation that may have an impact on the Council was set out in the report.

The report also responded to a request made at the last meeting by setting out a response from the Council's Executive Director – Regeneration and Development outlining the status of the Local Enterprise Partnership and how the risk register for the Partnership was maintained. A risk profile for the Partnership had also been prepared and was placed before the Committee for consideration.

**Resolved:-** (a) That the progress made in managing the risks identified within the Strategic, Operational, Project and Partnership Risk Registers where applicable be noted.

(b) That the new risks identified between July to September 2011 be noted.

(c) That the Corporate Risk Assessment in respect of fraud be scrutinised in more detail at the next meeting of this Committee.

(d) That the horizon scanning risks listed to be taken into account when making decisions on reports submitted to committees and the effect it may have on the future of the Council be noted.

475. \* **UPDATES TO THE COUNCIL'S ANTI-FRAUD AND CORRUPTION FRAMEWORK**

The Committee received a presentation on the Council's Anti-Corruption Framework following which it considered a report seeking approval of:-

- Anti-Fraud and Anti-Corruption Framework
- Whistleblowing Policy
- Fraud Response Plan

It was indicated that the Council's Existing Anti-Fraud and Anti-Corruption Framework had been reviewed and updated to take into account the new Bribery Act which came into effect on 1 July 2011 and the policies had been benchmarked against those received from a number of other authorities across the West Midlands.

A Fraud Awareness Guide was available to all of the Council's managers and as part of the Council's ongoing commitment to raising Fraud Awareness an on-line training package had been purchased and made available to staff via the Council's Intranet. Training had been rolled out to staff in December 2010 on a voluntary basis and the Audit Manager was now looking at ways in which the training could be made compulsory for all staff. In addition, other means of raising awareness were currently being reviewed in order to ensure the Council's commitment to deterring fraud and corruption was maintained.

In conclusion it was stated that the risk of not having the above strategies in place would mean that staff had no guidance on what to do in the event that they suspected fraud or corruption was being committed which could, in turn, hamper any subsequent investigation required to achieve a satisfactory outcome.

**Resolved:-** That the Anti-Fraud and Corruption Framework, the Whistleblowing Policy and the Fraud Response Plan be approved in their updated forms.

476. \* **QUARTERLY REPORT: ADOPTION OF INTERNAL AUDIT FUNDAMENTAL RECOMMENDATIONS AND SUMMARY OF ASSURANCE 1 JULY TO 30 SEPTEMBER 2011**

Consideration was given to a report on outstanding fundamental recommendations and providing Members with assurance opinions on internal controls over Council Services.

Approval was also sought to the Executive Director's requested actions in respect of the recommendations and proposed Target dates set out in Appendix B to the report.

The committee was advised that high risk recommendations were those agreed with management that were Key Controls in providing assurance as to the efficiency and effectiveness of the system, service or process under review. By agreeing to prolong target dates the Committee was accepting the risk of not implementing the control with any delays in the implementation of recommendations affecting the assurance opinion provided for each service.

High risk recommendations were those where action was considered imperative to ensure that the authority was not exposed to high risks and to do this needed to be implemented within one month of the recommendations being agreed with managers. It was reported that in the second quarter there were twenty two high risk recommendations due for review, of which eleven were at their first follow up date and therefore no further action was required at this stage. Four recommendations had received a first target date change and had been referred separately to the Chairman and Vice Chairman of the committee. However, seven recommendations had received two target date changes and details of these were set out in Appendix B to the report. The report also included a further Appendix that set out a copy of the Assurance Summary for September 2011.

In conclusion, it was stated that three Directorates were showing Limited Assurance at the end of the second quarter, whilst the Chief Executive's Directorate had an Assurance Opinion of Substantial. Accordingly there were no issues or concerns in relation to any outstanding recommendations within any of the Directorates.

**Resolved:-** That the action of the officers and levels of assurance be noted.

477. \* **INTERNAL AUDIT PROGRESS REPORT QUARTER 2 2011/12**

The Committee received a report regarding the work undertaken by the Internal Audit section during the period 1 July to 30 September 2011.

Up to the end of September 2011, 557 recommendations had been made of which 412 had been implemented (74%), the target being 96% by the end of the year.

The Committee was asked to consider any issues that they wished to raise with Cabinet and, or Executive Directors.

**Resolved:-** That the report be received.

**D RICHARDS**  
**Chair**