

AUDIT AND RISK COMMITTEE

Monday 5 November 2012

Present:- Councillor P Waring – in the Chair

Councillors Miss Baker, Jones and Turner

Also in attendance:

Phil Butters – Independent Member

David Jenkins – District Auditor

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Loades and Mrs Peers.

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF PREVIOUS MEETING

Resolved:- That the minutes of the meeting held on 27 September 2012 be approved as a correct record.

4. HEALTH AND SAFETY HALF YEARLY UPDATE REPORT

Consideration was given to the above report that provided details of issues and trends regarding health and safety at the Council.

The report was the seventh of its kind to committee and covered the period April to September 2012.

It was indicated that the Council's health and safety policy applied to all employees and that training was available to all staff as required.

The committee was advised that failure to adopt best practice health and safety standards could result in wastage of council resources and the provision of an inefficient service.

Details of accident reporting and workplace inspections carried out since consideration of the last report were set out together with details of matters discussed by the Corporate Health and Safety Committee.

It was indicated that recommendations made following an independent audit of the Council's Health and Safety Management and Operations at the Central Depot in 2009 had been implemented and that the recommendations of an audit undertaken in 2012 together with an action plan had been reported to the Corporate Health and Safety Committee in June 2012.

Overall there had been significant improvements in Health and Safety arrangements of the Council since the above audits and actions plans had been prepared for those areas where a need for improvement had been identified. Progress against the audit

recommendations was to be reported to the Corporate Health and Safety Committee in December and in the annual report for 2012/13.

A short discussion took place on the impact on the Council and its staff of emerging legislation and revised HSE guidance and it was agreed that the implications should continue to be closely monitored by the officers and, where appropriate, bring reports brought to future meetings of this committee for consideration.

It was hoped that the new legislation would reduce the need to report to the Health and Safety Executive.

In conclusion, it was indicated that following the recent retirement of the Council's Corporate Health and Safety Officer, a review of the future delivery of the service was being undertaken.

Resolved:- (a) That the report be received.

(b) That the officers continue to monitor the likely implications of emerging legislation and revised HSE guidance, and where appropriate, bring reports to the committee for consideration.

(c) That the minutes of each meeting of the Corporate Health and Safety Committee be forwarded to the Chairman of this committee.

5. CORPORATE RISK MANAGEMENT REPORT FOR THE PERIODS JULY TO SEPTEMBER 2012

Consideration was given to a report providing an update on progress made by the Council in enhancing and embedding risk management for the above period, including progress made in managing identified risks.

The report outlined action authorised by the Cabinet to control a risk identified around a failure to make services savings for recycling in 2012/13 and 2013/14 and also highlighted the Council's current most significant risks.

The report also provided details of emerging legislation that could have an impact on the Council.

In response to a question asked at the previous meeting, the officers were able to confirm that in terms of risk management this Council compared very favourably with those other councils looked at.

Furthermore, and in response to comments made at the last meeting, it was indicated that the importance of including risk profiles in committee reports had been impressed upon the Council's managers.

The committee had the opportunity to examine the risk register attached to the report as an appendix and asked questions on item 1 (reputational damage), item 2 (potential claims growth), item 3 (overall budget realisation fails), item 6 (stock condition survey) and item 8 (fall in interest ratio).

Having regard to item 6 in the register, the committee was advised that the Council's Asset Manager Strategy was currently being updated with a view to it going forward for scrutiny and then to Cabinet for approval.

On item 1 it was considered that the officers should not only look at the risks of doing things in a certain way but also the benefits that might be achieved of doing things in a certain way.

On item 2 it was agreed that the comments made in the “Action required to address risk” should be re-examined by the officers and reported to the next meeting. Finally it was considered that the comments for item 8 should be expanded and that comments made on the remaining 2 items be reported upon at the next meeting.

Resolved:- (a) That the report be received and the new risks identified between July and September 2012 be noted.

(b) That the actions agreed in respect of risks included in the Risk Register be noted and reported to the next meeting.

(c) That the information provided by the officers on the Asset Management Strategy that was to be considered by the Council’s Scrutiny Committees and Cabinet be received.

6. TREASURY MANAGEMENT HALF YEARLY REPORT 2012-13

Consideration was given to the Treasury Management Half Yearly Report for 2012/13. The Committee was also asked to review the Treasury Management activity for that period.

It was indicated that the economic background and economic forecast included in the report had been provided by the Council’s Treasury Management Advisors, Sector Treasury Services.

Reference was made to Heritable Bank indicating that the Council’s original investment had been £2,500,000. Twelve dividends had been received up to the time of the meeting from administrators, Ernst and Young and details of such payments were set out in an annex to the officer’s report.

The administrators for the bank continued to predict an estimated base case return of between 86% and 90% in their latest report to creditors dated 27 July 2012.

The report gave details of investments outstanding as at 30 September 2012. It was indicated that at the end of the first two quarters of 2012/13 the Council had earned £57,975 interest on its investments. A full list of investments was set out in the annex to the report.

It was indicated that the Council would continue to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it was considered appropriate to keep investments short term and to only invest with highly credited financial institutions using the sector suggested credit worthiness in matrices including Credit Default Swap (CDS) overlay information provided by Sector Treasury Services Ltd.

Investments during the first six months of the 2012/13 financial year had been in line with the strategy and there had been no deviations from it. As there was still considerable uncertainty and volatility in the financial and banking market it was considered that the strategy approved on 22 February 2012 remained fit for purpose in the current economic climate.

Having regard to the Council's borrowing position it was currently not intended to borrow to finance capital investment in 2012/13. The only borrowing envisaged by the 2012/13 Treasury Management Strategy and temporary borrowing to cover short-term cash flow deficits and borrowing had taken place in the first half of the financial year.

Resolved:- That the Treasury Management Half Yearly Report for 2012/13 be received.

7. ANNUAL AUDIT LETTER 2011/12

A report was submitted relating to the Annual Audit Letter from the Audit Commission that summarised the findings from the 2011/12 audit.

The Audit Commission had issued an unqualified opinion on the Authority's 2011/12 financial statements concluding that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. It also concluded there were no matters arising from the value for money work undertaken by the Audit Commission that needed to be reported on.

The report asked the committee to receive the Annual Audit Letter and to agree to a copy being sent to all members of the Council.

Resolved:- (a) That the Audit Commission's Annual Audit Letter be received and circulated to all members of the Council.

(b) That all members of the Council be advised that a copy of the Audit Commission's Governance Report for the Council is available for inspection on the Council's website.

8. INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 2012/13

Consideration was given to a report setting out details of the work undertaken by the Internal Audit Section during the period 1 July to 30 September 2012. The report identified the key issues raised.

It was indicated that up to the end of September 2012, 368 recommendations had been made of which 338 had been implemented (85%), the target being 96% by the end of the current financial year. With 85% of all recommendations implemented to date it was indicated that this provided a good indication that managers were responding positively to implement the recommendations made.

The officer's report contained information about the percentage of clients who had expressed that they were either satisfied or very satisfied with the service provided by the audit section and it was indicated that of the six satisfaction surveys sent out during the second quarter, three had been returned.

Details of how progress made against the plan was measured were set out in the officer's report and it was indicated the productivity at the end of quarter 2 was 74% and that the Council was on target to achieve the annual target of 90% with 24% of the planned audits being completed by the end of quarter 2.

Details of the type of recommendations made were set out in the report and Members made particular reference to the review being undertaken of Park Attendants requesting that the outcome of the review be the subject of a report to the

next meeting of this committee. A request was made that the results of this review include a comparison of projected and actual costs for this service.

Resolved:- (a) That the report be received.

(b) That a report detailing the outcome of the survey into Park Attendants including comparative actual and projected costs be submitted to the next meeting for consideration.

9. **ADOPTION OF INTERNAL AUDIT HIGH RISK RECOMMENDATIONS AND SUMMARY OF ASSURANCE - 1 JULY TO 30 SEPTEMBER 2012**

Consideration was given to a report on outstanding high risk fundamental recommendations and providing Members with an assurance opinion on internal contracts over Council services.

It was indicated that in the second quarter there had been only one high risk recommendation due for review and had been the subject of five target date changes. The recommendation related to provision of security services and due to the complexity of the specification needed for this work, a request was made for the target date to be further extended to 13 February 2013.

A revised copy of the Assurance Summary for October was circulated at the meeting and a request was made that in future, and to help the committee to identify trends, the summary should be presented to committee dealing with the preceding 3 month period and not limited to one month.

Resolved:- (a) That the actions taken by the officers and levels of assurance be noted.

(b) That the target date relating to the tendering process for the provision of security services be extended to 13 February 2013.

(c) That in future the Assurance Summary be presented to committee as detailed above.

**P WARING
Chair**