

Minutes of the Audit Committee

**Monday 7 January, 2013 at 12.30pm
at Fire Service Headquarters, Birmingham**

Present: Councillor Singh (Chair);
Councillor O'Reilly (Vice-Chair);
Councillors Quinnen and Sealey.

Apologies: Councillor Aston and Mr Ager.

1/13 **Minutes**

Resolved that the minutes of the meeting held on 15 October, 2012, be approved as a correct record, subject to the correction of the word 'option' in the final line of Minute No 42/12 [Internal Audit Progress Report] to read 'opinion'.

2/13 **Corporate Risk Management Strategy**

The Committee was advised that the Corporate Risk Management Strategy had been reviewed and it was proposed to make a number of changes. The amendments included more information about how the Human Resources function supported management of risk; the possibility of legal action against members in the event of the death of an employee or member of the public; the management of risk at operational incidents; and new arrangements for providing assurance as to the effectiveness of control measures. The amendments addressed a number of recommendations made in the internal audit report on the Authority's risk management arrangements.

It was suggested that the three lines of defence assurance model could be further clarified and officers undertook to do this. It was also suggested that the strategy should refer to escalation and de-escalation of risks in and out of the Corporate Risk Register. The Committee was advised that risks could be escalated or de-escalated as part of the regular performance management and risk management processes. Management of risk should be seen as part of the business change process. Paragraph 2.5.1 of the Strategy would be amended to clarify this point.

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It was also suggested that the Strategy should make reference to risk appetite within the organisation. The Committee was advised that risk was at the forefront of the Service's thinking and that there was constant challenge to drive the appetite for risk.

Resolved to recommend to the Authority that the Corporate Risk Management Strategy set out in draft Standing Order 22/7, as now amended and attached as Appendix 1, be approved.

3/13 **Corporate Risk Register**

The Committee received the Corporate Risk Assurance Map and noted the position statement detailing the work undertaken in support of the management of each of the Service's Corporate Risks.

Corporate Risks were those which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in the Plan. The Authority currently had 11 corporate risks. The Corporate Risk Assurance Map summary provided a description of each risk and an overview of its rating. The position statement set out the outcomes of the regular review of each risk by the risk owner. The risk rating in respect of all 11 corporate risks was unchanged from the previous quarter.

Members asked for clarification and information on a number of issues within the Assurance Map and position statement.

Resolved that the Corporate Risk Assurance Map Summary be approved.

4/13 **Consultation on External Audit Scale of Fees and Work Programme 2013/14**

The Committee was advised that in connection with the external audit of the Authority, John Gregory of Grant Thornton was moving to another area of work and that in future James Cook would attend this Committee.

The Committee received notification from the Audit Commission of the proposed work programme and scale of fees for 2013/14 which was subject to consultation.

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The Audit Commission had awarded a five-year contract for the external audit of this Authority to Grant Thornton UK LLP, which would expire in March 2017.

The proposed scale of fees for this Authority for 2013/14 was £51,515. This represented a reduction of £28,000 compared to the 2011/12 fee, which was in line with the 40% reduction in fees anticipated by the Audit Commission.

The Corporate Board had prepared a draft response to the Audit Commission which was circulated. Individual members of the Authority were invited to contribute to the response. The closing date for the consultation was 8 February 2013.

The Committee asked if there was any possibility of further reduction in the external audit fee. The external auditor responded that the complexity of the audit could have an impact on the fee, which had already been substantially reduced. It was suggested that the winding down of the Audit Commission might produce reserves which could be used for fee rebates. It was suggested that this point be included in the consultation response.

Resolved:

- (1) that the scale of fees and work programme for delivery of the 2013/14 external audit be noted;
- (2) that a revised draft consultation response be circulated for comment for submission to the Audit Commission by 8 February 2013;
- (3) that the thanks of the Committee be extended to John Gregory for his long service and assistance to the Authority as external auditor, with best wishes to him in his new role.

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Internal Audit Progress Report

The Committee noted a report which detailed the progress made against the delivery of the 2012/2013 Internal Audit Plan. The information contained within the report would inform the overall opinion in the Internal Audit Annual Report at the end of the year.

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6/13 Internal Audit Terms of Reference

The Committee was reminded that it was good practice to review the internal audit terms of reference annually. The current terms of reference were considered.

Resolved that the existing terms of reference for internal audit of the Authority be endorsed.

7/13 CIPFA Audit Committee Update No 9

The Committee considered an Audit Committee update published by the Chartered Institute of Public Finance and Accountancy [CIPFA]. The updates were designed to support public sector audit committee members and to provide a practical resource for those who supported audit committees. Issue 9 dealt with reviewing assurance over value for money.

The CIPFA advice indicated that the Audit Committee should have an oversight of how effectively the organisation made arrangements for the achievement of its value for money objectives and how it highlighted areas for improvement. Audit Committees were encouraged to review their terms of reference to consider how they should be covering issues around value for money and whether this was an area where the audit committee could add further value to the organisation. Members indicated that some elements of value for money were now considered by the Scrutiny Committee via its performance management remit. Clarification was given that the Audit Committee therefore needed to satisfy itself that the Scrutiny Committee was dealing with these matters effectively. Value for money was an overarching concept within the organisation. Value for money considerations were also an integral part of the term of reference for internal audit.

8/13 Work Programme

The Committee noted its work programme for 2012/2013. It had not been possible to make arrangements for the regular meeting between the Committee and the Internal Auditors to take place at the conclusion of this meeting. The meeting would now take place on 25 March 2013.

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Update on Topical, Legal and Regulatory Issues

There was no new information to be presented.

(The meeting ended at 1.05 pm)

*Contact Officer: Georgina Wythes
Democratic Services Unit
Sandwell Metropolitan Borough Council
0121 569 3791*