

Minutes of the Audit Committee

**10 September, 2012 at 1.30 pm
at Fire Service Headquarters, Birmingham**

Present: Councillor Singh (Chair);
Councillors Aston, Quinnen, Sealey and Ward.

Observer: Councillor G Davies.

Apologies: Councillor O'Reilly (Vice-Chair);
Mr Ager (Independent Member).

29/12 **Minutes**

Resolved that the minutes of the meeting held on 11 June, 2012, be noted.

30/12 **Appointment of External Auditor**

Further to Minute No 21/12, the Committee noted that the Audit Commission had appointed Grant Thornton UK LLP as external auditor for the Authority's accounts for the five year period commencing 1 September, 2012, following consultation with the Authority.

The fee for the 2012/13 audit would be £52,000, and the fee would be reviewed annually. The annual audit fee in 2011/12 had been £79,000.

The Audit Commission would monitor audit quality but this regulatory role would cease upon the introduction of the new local public audit regime.

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31/12 **Annual Governance Report 2011/12**

John Gregory on behalf of the Audit Commission presented the Annual Governance Report which summarised the findings of the 2011/12 external audit. The audit was substantially complete and an unqualified opinion was expected. There had been some minor issues with financial statements which had been rectified and some minor internal control issues which had been brought to the attention of management. The audit would show that proper arrangements had been made to secure economy, efficiency and effectiveness in the use of resources and that the Authority had proper arrangements to secure financial resilience.

The Report would be considered by the Authority, as the body charged with governance, on 24 September 2012.

Members questioned the external auditor and officers on the findings of the Report.

The Committee noted the content of the Annual Governance Report.

32/12 **Treasury Management Annual Report 2011/12**

The Committee considered the Treasury Management Annual Report for 2011/12 which was a requirement of the Authority's approved Treasury Management Strategy. The report outlined the outturn position for treasury activity and compliance with the approved Strategy.

The report indicated that no capital borrowing took place in 2011/12 and the statutory borrowing limit was not breached. The Authority's external debt was £44.644m and investment was £33.2m. Low investment returns and uncertainty in the markets had continued to be a feature, which was reflected in the cautious approach of the strategy, focussing on low risk investments which tended to produce relatively low returns compared to borrowing rates.

Resolved that the prudential and treasury indicators be approved.

33/12 **Corporate Risk Register**

The Committee was informed that it had been necessary to change the format of reporting on corporate risk since performance management functions had been transferred to the Scrutiny Committee.

The Committee received a quarterly Corporate Risk Register update. All risks had been reviewed by the senior risk owners as a result of which Corporate Risk 1 [the Authority would be unable to maintain the positive engagement of its employees, resulting in an inability to deliver its key priorities and objectives] and Corporate Risk 5 [the Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods] had been reduced as there was no specific risk of imminent industrial action. This had reduced the Authority's overall risk rating from High to Medium, as a result of which the Business Continuity Management Team (BCMT) had been stood down. The Service remained vigilant and had the necessary arrangement in place to re-establish the BCMT framework should it be required. New procedures had been introduced to strengthen resilience under Corporate Risk 11 [command and control function] in response to a technical problem.

Resolved that the changes to the Corporate Risk Register be approved.

34/12 **Review of Organisational Assurance**

The Committee considered a report setting out progress to date on the implementation of the recommendations of the recent review of organisational assurance.

Actions on seven out of the eight recommendations were complete or on schedule for completion, or had been superseded by new developments. The Committee saw a demonstration of the Corporate Risk Assurance Map which would be used as the basis of future reporting to the Committee, and would also drive the scope of the internal audit needs analysis. The review of the provision of legal services had been delayed by the recent operational assessment but was scheduled for completion by the end of September 2012.

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35/12 Annual Report of the Audit Committee 2011/12

The Committee considered the draft Annual Report outlining the activities of the Committee over the past 12 months.

A member suggested that the quarterly budget monitoring report should come to the Audit Committee for consideration. There was a discussion about whether this fell within the terms of reference of the Committee.

A member also asked whether it would be permissible to have more than one independent member on the Committee.

Resolved:

- (1) that the Annual Report be approved for submission to the Authority at its meeting on 24 September 2012;
- (2) that a report be brought to the next meeting with regard to the Committee's role with regard to budget monitoring, and outlining the position with regard to the appointment of independent members.

36/12 Work Programme 2012/13

The Committee received its work programme for 2012/13.

It was agreed to defer the Committee's self assessment until a date to be agreed in 2013, and to use the session scheduled for 26 November, 2012, to carry out risk management training.

37/12 Update on Topical, Legal and Regulatory Issues

The Committee was advised that the Chartered Institute of Public Finance and Accountancy had issued guidance for Audit Committees on procurement and risk. A copy of the guidance was circulated to members.

The Committee noted changes in local government finance relating to localisation of business rates and council tax benefit.

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(The meeting ended at 2.40 pm)

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