

AUDIT and GOVERNANCE COMMITTEE – 2 July 2014

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 11 June 2014

The meeting was attended by:

Dr Geoff Jones – Chairman; Cllr Wilmshurst; Cllr Lovatt; Lorna Baxter, Peter Clark and Ian Dyson.

Part meeting only: AWG14.03 David Illingworth; AWG14.05 Neil Shovell and Sarah Cox

Observers: Cllr Hards; Cllr Hannaby; Tessa Clayton (Internal Audit)

Apologies: Cllr Roz Smith

Main business items of the meeting were as follows:

Draft Annual Governance Statement - Peter Clark

Internal Audit Update - Ian Dyson

Self-Assessment Public Sector Internal Audit Standards - Ian Dyson

Risk Management Update

Matters to report:

Matters Arising - Membership of the AWG

As a result of the changes to the membership on the Audit and Governance Committee in May 2014, Cllr Mathew and Cllr Godden (who was a named substitute for Cllr Smith), are no longer part of the AWG. The Committee is recommended to decide on the members and named substitutes to attend the future AWG meetings.

Under the terms of reference for the AWG, the group chaired by the co-opted member, should consist of three members of the Audit and Governance Committee, with three named substitutes. The purpose of having named members and substitutes is to enable there to be continuity in attendance from meeting to meeting, which is important as the monitoring of issues referred to the Group by the Committee usually extend across several meetings.

AWG14.03 Draft Annual Governance Statement

The Group was invited to comment on the draft Annual Governance Statement (AGS) before it is presented to the Audit and Governance Committee in July. The Group raised concerns regarding the section on Partnerships. Following discussion it was agreed that a further action should be included in the AGS reflecting a need to undertake a review of governance arrangements in relation to key strategic partnerships where the council is a formal member. Other minor amendments and suggested changes were noted.

AWG14.04 Internal Audit Update

The Group was pleased to note no significant issues or concerns arising from the work of Internal Audit. The Group was disappointed to note that the summary of

findings in respect of the Accounts Payable audit reported that the current levels of performance are below some of the target levels set as an outcome from the Procure to Pay project. The management action in the report noted that the targets are to be amended as they are too high and not properly reflecting the level of risk within the process they are measuring. The Group has requested a report on any changes to the targets at a future meeting to be determined.

AWG14.05 Self-assessment - Public Sector Internal Audit Standards (PSIAS)

The Chief Internal Auditor (CIA) presented the findings from the self-assessment he had undertaken against the "proper practice" PSIAS that came into effect from April 2013. The Group noted there are currently areas where the service does not conform to the Standards, but there were no areas of concern. The Group noted that the Monitoring Officer would be referring to this in the annual review of the effectiveness of Internal Audit, and the CIA would be reporting it in his annual report. The CIA will be preparing an action plan for the AWG to monitor.

AWG14.06 Risk Management Update

The CIA presented his risk management update report, which focussed on the outcomes of the Q4 Business Management Reporting. There are no material issues to report; however, it was noted that following the last update report, the Chief Executive's Office is now included in the quarterly reporting cycle, including risk management. The CIA also reported that he has not completed the work with Risk Leads in the Directorates to improve the quality of reporting and monitoring through the consistent use of target risk scores, and target dates for mitigation plans; it was also reported that a review of the corporate risk register will not be undertaken until Q2 2014.

The Committee is recommended to:

- i) note the report; and,**
- ii) decide on the members and named substitutes to attend the future AWG meetings.**

Lorna Baxter
Chief Finance Officer

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**AUDIT WORKING GROUP
TIMETABLE AND WORK PROGRAMME 2014/15**

2014

04 September 2014 - 14:00 - 16:00

- Internal Audit Update
- Risk Management Update (Q1 Business Management Report)

17 September 2014 - 13:00 - 13:45

- Private session with Ernst & Young, External Audit

02 October 2014 - 14:00 - 16:00

- Risk Management Update
- CEF Risk Register
- CEX Risk Register

06 November 2014 - 14:00 - 16:00

- Internal Audit Update

11 December 2014 - 14:00 - 16:00

- Risk Management Update
- EE Risk Register

Dates in 2015 to be determined

Ian Dyson
Chief Internal Auditor