

AUDIT COMMITTEE MINUTES

Title: Audit committee minutes **Minute taker**
Meeting date: 9 February 2010 Bridgette Hall, 01223 200 812

CONFIDENTIALITY STATUS UNCLASSIFIED

Attendees – Board

Will Pope , Robert Swann, Karen Livingstone, Shona Johnstone
Ken Barnes (independent non-executive member)

Attendees – Chief Executive’s Team

Deborah Cadman, Chief Executive
Alison Webster, Executive Director, Enterprise and Skills - Items 12 & 13
Rachel Bosworth, Deputy Chief Executive and Executive Director, Communications - Item 6
David Hipple, Executive Director, Corporate Services

Attendees – Officers

Items 1-15	Angela Mason-Bell, Compliance and Assurance Manager	EEDA
Items 1-15	Phil Davies, Head of Governance	EEDA
Item 6		EEDA
	Neil Hayes, Head of Relationship Management	
	Liz Shannon-Sinclair, Customer Services Manager	EEDA
		EEDA
Item 13	John Wilkinson, Area Director	EEDA
Item 15	Sarah Green, Head of Legal Services	EEDA

Attendees – Externals

Items 1-15	Neil Sayers	NAO
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Minutes

Bridgette Hall, Board and External Relations Executive

Apologies

Chris Lewis and Mark Ward (Ernst & Young), Colin Riordan (Board Member)

Item 1: Declarations of interest

Shona Johnstone – item 12 – Member of Cambridgeshire County Council

Will Pope and Karen Livingstone – item 13 – Past Representatives on Bedfordshire and Luton Economic Development Partnership

Will Pope – item 14 – EEDA director at CIP

Item 2: Minutes of last meeting, actions and matters arising – 12 November

The minutes of the meeting on 12 November 2009 were approved.

Action

Action from previous meeting item 3 – David Hipple to report back on the consideration of winding up the use of company credit cards by April, and to re-circulate the email to all members of the committee confirming the credit card policy has been signed off by executive directors

Item 3: Quarterly Internal audit report AC0210 (1)

Angela Mason-Bell reported on the assurances and issues identified following recent audits, together with the Executive's progress in implementing management actions agreed in respect of previous audit activity.

The committee considered the report and commented, with respect to the Rural Development Programme for England (RDPE) and European Union Funded Programmes, that these can be a risk to EEDA in terms of clawback.

Neil Sayers commented there is a risk of liability to repay if the European Regional Development Fund Programmes do not meet the requirements and there is also an issue where the responsibility for issuing guidance on the current programme rests with CLG.

The Executive recognised the inherent risk articulated by Neil Sayers and are currently undertaking a piece of work on an assurance framework for the European Programme. A report will come to the June meeting.

The committee recognised the positive picture at this time and thanked the team for delivering in this way.

Decision

The committee considered the issues and risks presented; the outcome of reviews from other providers of assurance and progress made by the Executive of implementing the management actions was noted.

Action

Executive to report on the European Programme Assurance Framework to be made at the June meeting.

Item 4: Risk Management update AC0210 (2)

Angela Mason-Bell presented the report providing an update on EEDA's risk management arrangements. EEDA's Risk Management Strategy has been refreshed for 2010/11.

The annual risk management workshop was held with representatives from EEDA's Board and the Chief Executive's Team on 20 January 2010.

At the workshop, a number of new corporate risks were identified and others refocused to reflect changes to EEDA's operating environment over recent months and the current and foreseen factors that might impact upon the achievement of the Agency's objectives.

The resultant corporate risk register for 2010/11 was tabled at the meeting.

The committee discussed the category of the corporate risk register, risks of balancing into the tiers and the description for risk 8.

Ken Barnes sought clarification from the executive on the risk scores for CIP. David Hipple advised that much of the risk has been reduced and we are now in a position to move forward.

Decision

The Audit Committee:

- i) Endorsed the risk management strategy for 2010/11.
- ii) Endorsed the corporate risk register for 2010/11.
- iii) Endorsed the deadlines for completion of the risk management plans and in-year reviews

Action

Phil Davies to:

1. consider the elevation of two second tier risks (risks 9 & 10) in terms of keeping them under review and re-circulate a revision via email by the end of the month
2. review and clarify the description for risk 8.

Item 5: Audit Committee Terms of Reference AC0210 (3)

Phil Davies presented the revised terms of reference which had been changed to reflect the transfer of responsibilities for performance management to the Performance and Resources Committee and sought the committee's approval.

Decision

The committee approved the revised terms of reference for the committee and recommended them to the Board.

Action:

Executive to correct the spelling of Comptroller.

Item 6: Complaints Procedure 2009 AC0210(4)

Rachel Bosworth, Neil Hayes and Liz Shannon-Sinclair joined the meeting

Rachel Bosworth introduced the paper providing the committee with an overview of the operation of EEDA's complaints procedure in 2009. Rachel advised that the increase in the number of complaints can largely be attributed to better identification of stage one complaints by staff members.

When analysing the nature of complaints made to EEDA, there were two common themes that result in the most complaints; funding for businesses and EEDA's procurement of goods and services. In both cases the issues relate to the decision as well as the process. Going forward:

- The Legal, Customer Service and Access to Finance teams will complete their review of Proof of Market documentation and revise accordingly
- EEDA's internal adoption of RBSIS should enable a more efficient reporting mechanism for managing complaints and accessing electronic documentation such as complaint letter templates
- A refresher lunchtime session will be held to further raise awareness of the complaints process and staff responsibilities
- Continued work on customer satisfaction, including customer journeys, to try to pin point service areas in need of improvement to mitigate any potential complaints

Shona Johnstone raised the point on internal and external benchmarking and sense of context in the report in regard to the amount of contacts EEDA has. The Executive explained that it is difficult to obtain the information from the current Customer Relationship Management System however the new system (RBSIS) should have more data. External benchmarking with other RDAs would be considered.

Karen Livingstone asked the executive what mechanisms are in place for tracking complaints of EEDA service providers. EEDA do not currently track these and it was agreed the Executive would start by looking at Business Link, one of EEDAs larger providers, as a pilot.

Ken Barnes advocated in future reports splitting out the complaints about decisions and including figures on the number upheld.

The committee discussed the link between complaints and internal audit processes. The committee recommended the Executive reviews complaints formally on an increased frequency in addition to the annual report to the committee.

Action

The next report to the committee is to:

- Articulate external benchmarking with other RDAs, EEDA's trend line, splitting out complaints about decisions, and EEDA's vision for complains handling.
- Split out the complaints about decisions and include the number of complaints upheld.

Rachel Bosworth to circulate an update via email to committee members picking up the points raised.

Rachel Bosworth, Neil Hayes and Liz Shannon-Sinclair left the meeting

Item 7: Audit Committee self assessment workshop AC0210 (5)

Phil Davies presented the report providing the committee with a summary of the outcome of the self assessment exercise undertaken by committee members in November 2009 and an action plan aimed at strengthening current arrangements to ensure the committee continues to have a

comprehensive view of the arrangements for governance, risk management and internal control at EEDA.

The committee thanked the team for a valuable session and were pleased to see the outcome in print.

Decision

The committee noted, accepted and endorsed the action plan.

Action

Report back at the June meeting on achievements, delivery and timetable on outstanding actions.

Item 8: NAO External Audit Strategy AC0210(6)

Neil Sayers presented the draft NAO external audit strategy for the audit of the accounts for the financial year 2009/10. He advised that NAO has concerns that Statements on Internal Control have become bland and are encouraging organisations to be open and transparent.

Deborah Cadman queried the publication date of the Regeneration Report, as if its delayed it will be affected by purdah. Neil could not confirm what the timetable was, however the assumption is that it will be published before March.

Decision

The committee approved the NAO audit strategy for 2009/10 and auditor's fee increase.

Item 9: Internal Audit Strategy and Plans AC02010(7)

Angela Mason-Bell presented the report and sought the committee's comments on the Internal Audit Strategy 2010/11, which included a refreshed internal audit planning framework.

The committee agreed the strategy and targeting of the work is adequate and requested the five year plan is circulated via email protocol. It was agreed the outline plan will be ready by the end of February and the detailed plan by mid March 2010.

Decision

The committee:

- i) Endorsed the Internal Audit Strategy 2010/11
- ii) Considered the latest draft of the audit framework
- iii) Agreed the internal audit programme for 2010/11 is sufficient to support the Audit Committee in discharging its role effectively, subject to any comments on the five year plan.

Item 10: Statement of Internal Control AC02010(8)

Phil Davies presented the report requesting the committee consider the National Audit Office (NAO) guide for Audit Committees in their role when reviewing the Statement on Internal Control.

He explained that the NAO have announced they will have a renewed focus on the Statement on Internal Control produced by public sector bodies when undertaking their audit of the accounts for the financial year 2009/10 and have produced a guide to assist Audit Committees in their challenge function and identify good practice in corporate governance, risk management and internal controls in respect of the Statement on Internal Control produced by the Accounting Officer.

In order to undertake this enhanced role it was suggested that an additional Audit Committee meeting will be required in May in order to fulfil this role effectively.

Neil Sayers commented that the NAO's view is that the Statement on Internal Control needs reinvigorating in two areas:

1. that it is open and transparent
2. processes of assurances are reliable and accurate

Decision

The committee agreed to an enhanced role for the Audit Committee in scrutinising the Statement on Internal Control prepared by the Accounting Officer and approved an additional meeting is held in May as first preference to undertake this additional scrutiny role.

Second preference is a single agenda item conference call and third preference to circulate comments via email and a Chairs action on comments received.

Item 11: HM Treasury Internal Audit Transformation Project AC0210 (9)

Phil Davies presented the paper asking committee members to consider the issues arising from the HM Treasury consultation paper on the internal audit strategic improvement plan and circulated a suggested response at the meeting.

The committee discussed and noted the proposed changes which will have significant impact on internal audit. The committee chair and CEO will jointly object to centralising internal audit processes and the committee were unanimous in agreeing this will result in an increase in assurance costs for the organisation.

Karen Livingstone suggested individual board members might wish to respond as the proposals are expecting board members to be accountable but are not giving them the assurance they need.

The final response is to be sent to Whitehall on Monday.

Decision

Audit Committee members considered the issues arising from the consultation paper and approve the suggested response to HM Treasury.

Action

Committee members to respond in detail by Friday 13 February directly to Phil Davies.

Phil Davies to consolidate responses over the weekend.

Audit Chair and CEO, as Accounting Officer, to sign off the final response.

Item 12: Economic Participation Programme Local Authority Assurance AC0210 (10)

Alison Webster and John Wilkinson (EEDA) joined the meeting

Angela Mason-Bell presented the report providing an update on the external assurances available on the governance and control arrangements of the local authorities with which EEDA has contracted for delivery of the Economic Participation Programme in the region.

Angela asked the committee to note that Essex County Council and Southend-On-Sea Borough Council's direction of travel are on track but Peterborough City Council is still causing some concern with all funding committed but some carry forward on capital. The committee requested that a monitoring visit is undertaken at Peterborough City Council.

The Executive confirmed that they had now received the two outstanding reports from the local authorities and will be following up the qualifications with them.

Decision

The committee agreed the adequacy of the assurances available with regards to the Economic Participation Programme for 2009/10.

Action

Executive to provide a report at the next meeting on the actions taken following the qualifications received from local authority external auditors.

Item 13: Bedfordshire and Luton Economic Development Partnership AC0210 (11)

The committee agreed to take this item as confidential under the Freedom of Information Act 2000, section 43(2), commercial interests. See separate confidential minutes.

Item 14: NAO IFRS Trigger Point 4 report AC0210 (12)

AUDIT COMMITTEE MINUTES



The committee agreed to take this item as confidential under the Freedom of Information Act 2000, section 43(2), commercial interests. See separate confidential minutes.

Item 15: Quarterly procurement report AC2010 (13)

The committee agreed to take this item as confidential under the Freedom of Information Act 2000, section 43(2), commercial interests. See separate confidential minutes.

Any other business

Will Pope takes up his new position as EEDA chair from 1 April 2010, the committee unanimously nominated Karen Livingstone to take over as committee chair.

Date of next meeting:

May tba

9 June (1400-1700)