

AUDIT AND GOVERNANCE COMMITTEE

8 December 2016 at 9.35 am

Present: - Councillors Clayden (Chairman), Mrs Oakley (Vice-Chairman), Brooks, L Brown, Mrs Porter, Miss Rhodes and Wheal.

344. WELCOME

The Chairman welcomed Members and Officers of the Internal Audit & Finance teams and Paul King (Audit Director) from Ernst & Young to the meeting.

He announced that Jason Jones would be the new Audit Manager from Ernst & Young that would attend future meetings of the Committee. He had been delayed in traffic and would join the meeting shortly.

345. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Mrs Maconachie and D Maconachie.

346. DECLARATIONS OF INTEREST

The Monitoring Officer has advised Members of interim arrangements to follow when making declarations of interest. They have been advised that for the reasons explained below, they should make their declarations on the same basis as the former Code of Conduct using the descriptions of Personal and Prejudicial Interests.

Reasons

- The Council has adopted the Government’s example for a new local code of conduct, but new policies and procedures relating to the new local code are yet to be considered and adopted.
- Members have not yet been trained on the provisions on the new local code of conduct.

- The definition of Pecuniary Interests is narrower than the definition of Prejudicial Interests, so by declaring a matter as a Prejudicial Interest, that will cover the requirement to declare a Pecuniary Interest in the same matter.

Where a member declares a “Prejudicial Interest”, this will, in the interests of clarity for the public, be recorded in the minutes as a Prejudicial and Pecuniary Interest.

There were no Declarations of Interest made.

347. MINUTES

The Minutes of the meeting held on 29 September 2016 were approved by the Committee as a correct record and signed by the Chairman.

348. CHANGE TO THE ORDER OF THE AGENDA

In view of the delay in the arrival of the Audit Manager from Ernst & Young, the Chairman proposed to defer consideration of Agenda Item 5 (Ernst & Young – Annual Audit Letter). This change to the order of the agenda was approved by the Committee.

349. TREASURY MANAGEMENT – INTERIM REPORT FOR 2016/2017

The Senior Accountant and Investment Officer presented to the Committee the Treasury Management Interim Report for 2016/2017 and advised that this covered the quarter ended September 2016 in detail but that it had been updated to include such items as the interest received and investments as at the end of October 2016 to provide Members with more up to date information where practicable.

Some updates were provided to the Committee. Firstly, in terms of the interest rate forecast, Members were advised that it was unlikely that interest rates would rise until June 2019 and that any increase would not increase above 0.50%. Secondly, the Council was still doing well in terms of its investment return which had outperformed its benchmark. Finally, the Committee was reminded that the Council’s current banking services contract with HSBC would expire on 31 March 2017 and that following a tender process the Council, from 1 April 2017, would bank with Lloyds who had been the highest scoring and Most Economically Advantageous Tender (MEAT). The contract would be in place for 5 years.

The Committee, in receiving the report, wished to have recorded its thanks to the Treasury Team for the returns that had been achieved in a particularly difficult economic environment.

The Committee then

RECOMMEND TO FULL COUNCIL – That

- (1) the actual prudential and treasury indicators for 2016/2017 contained in the report be approved;
- (2) the treasury management report for 2016/2017 be noted;
- (3) the treasury activity for the quarter ended 30 September 2016, which has generated interest receipts of £188,000 (1.15%) for the quarter and £370,000 (1.17%) for the year to date be noted against a budget of £560,000 (1.10%) for the full year; and
- (4) the interest earned to the end of October 2016 (YTD) of £440,000 (1.17%) be noted.

350. CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITOR

The Chief Internal Auditor reminded Members that further to the report provided at the last meeting of the Committee, relating to changes to arrangements for the appointment of external auditors, the recommendations to opt into the sector led body (PSAA Ltd) put forward by the Committee to Full Council on 9 November 2016 had been approved.

The Committee noted that in accordance with this decision, the Head of Finance and Property had provided PSAA Ltd with the required notice of acceptance of the invitation to opt-in.

351. ERNST & YOUNG – ANNUAL AUDIT LETTER AND PROGRESS REPORT

The Audit Director introduced Jason Jones, the new Engagement Manager (Audit Manager), to the meeting.

The Audit Director then presented Ernst & Young’s Annual Audit Letter and Progress Report and confirmed that the purpose of the letter was to communicate the key issues arising from Ernst & Young’s audit work.

Members were reminded that Ernst & Young had already reported its detailed findings from its 2015/2016 Audit Results Report to the Committee at its last meeting held on 29 September 2016. This letter represented a very brief summary of that work.

The Annual Audit Letter reconfirmed that Ernst & Young had issued an unqualified audit opinion from the 2015/2016 Audit Results Report and an unqualified value for money conclusion on 30 September 2016

In updating the Committee, the Audit Director confirmed that a further piece of work had been undertaken in respect of the 2015/16 requirement to certify the Council’s housing benefit subsidy claim. This was undertaken on behalf of the Department for Works and Pensions (DWP) and by the deadline set of 30 November 2016. The Audit Director outlined that uniquely this had been undertaken without the need for a qualification letter, which was a rarity these days and that most Councils were issued with some form of qualification letter. The Audit Director confirmed his view that this was a notable achievement for the Council and so he wished to have recorded his thanks to the Council’s Officers for their good work and for the excellent result achieved.

The Audit Director alerted Members to what needed to be focused on for the future. This covered the Council’s financial standing in reviewing the Council’s Financial Model and the issues and challenges that the public sector would face following the EU Referendum on 23 June 2016.

Finally, a Local Government Audit Committee briefing was circulated to the meeting for Members’ information.

In considering the report, a question was asked about property values and what might happen in the future, post Brexit. The Audit Director outlined that although there had been some volatility in property funds immediately following 23 June 2016, this position had seemed to have stabilised. It emphasised that it would be difficult to anticipate what the longer-term impact might be and that this could be a very changeable picture.

Following some further discussion, the Committee expressed its thanks to Ernst & Young and noted the content of the Annual Audit Letter and Progress Report.

352. REVISED STRATEGIC RISK REGISTER – 2016/2017

The Committee received a report from the Chief Internal Auditor which outlined that the Council’s Strategic Risk Register had been reviewed and updated to reflect changes since its last publication in December 2015.

The Committee had last reviewed the Register at its December 2015 meeting and this had been followed up with a risk management training workshop, facilitated by the Council’s risk advisors, in March 2016. The updated document had also been reviewed by the Lead Officer and Lead Member for risk management and their comments had been incorporated.

Since the last update, significant changes had taken place nationally that would affect the Council going forward. Also, the Council had continued to make progress against its Vision 2020 programme and it was outlined that the Register update had considered these events.

The Committee was advised that the Risk Management Strategy had not been presented to this meeting as the changes to this were mainly associated to the senior management restructure and largely related to changes in job titles and the responsibilities of the new Directors and Group Service Heads.

In considering the Strategic Risk Register, a comment was made about the three coloured filters in the matrix supplied and that it would have assisted Members if the report could have illustrated where areas had shifted in terms of their overall risk rating scores. The Chief Internal Auditor stated that he would issue a revised report to Members showing any adjustments.

A question was asked about cyber-attacks and the risk of this and whether the Council had been targeted recently. Having received a response, the Committee then noted the contents of the report.

353. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Committee received and noted the Cabinet Office’s published report on the National Fraud Initiative (NFI) 2016.

354. PROGRESS AGAINST THE AUDIT PLAN

The Chief Internal Auditor presented a report which monitored the delivery of progress made against the Internal Audit Plan.

A revised plan had been presented to the Committee at its last meeting held in September 2016 to illustrate the reduction in audit resource available. As further audit work was being undertaken on the full business case for a possible shared audit service no further update against the plan had been produced. It was outlined that the Head of Finance and Property had also received input from the Audit team in reviewing the initial papers and due diligence work for the potential creation of a wholly-owned Local Housing Company. Audit staff had also been involved in the new financial management system which had been implemented in October 2016.

These had been the primary work roles undertaken in the last two to three months. The usual status report on areas where audit involvement in progress monitoring had been attached for the Committee to note or to raise any issues of concern. The Committee was asked to be aware that as the status report had been drafted at the beginning of November 2016, since that time, the new management structure and Group Head positions had been confirmed and so the status report in the future would be subject to significant change.

Following some discussion on the possible establishment of wholly-owned Local Housing Company, the Committee noted the report.

### 355. COMPLIMENTS OF THE SEASON

As this was the last meeting of the Committee in 2016, the Chairman wished all those present a very Happy Christmas and New Year. On behalf of the Committee he expressed gratitude to all of the Officers who had submitted reports to the Committee.

(The meeting concluded at 10.40 am)