

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
14TH DECEMBER 2011**

Present: Councillors: David Holmes (Chairman) Gordon Lindsay (Vice Chairman) John Bailey, Roy Cornell, Leonard Crosbie, Jim Rae

Apologies: Councillor: Jonathan Chowen

Also present: Councillor Christian Mitchell

AAG/25 **MINUTES**

The minutes of the meeting held on 29th September 2011 were approved as a correct record and signed by the Chairman.

AAG/26 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/27 **ANNOUNCEMENTS**

The Chairman raised a number of outstanding issues from previous minutes:

- The Head of Financial & Legal Services would produce and submit to the next meeting a forward programme of standing items for the coming year
- The Head of Financial & Legal Services and the Chief Internal Auditor would consider any possible adjustments required to the Committee's terms of reference and report thereon to the next meeting
- The Head of Financial & Legal Services would arrange further training for members of the Committee on understanding the Council's accounts and treasury management matters

AAG/28 **ANNUAL AUDIT LETTER 2010/11**

The Chairman of the Committee welcomed Helen Thompson, District Auditor and Emma Bryant, Audit Manager to the meeting, to present the Audit Commission's Annual Audit Letter for 2010/11.

The Annual Audit Letter summarised the District Auditor's findings from the 2010/11 audit, which had been discussed at the last meeting of the Committee.

In particular, the Committee's attention was drawn to the key messages in the letter including:

AAG/28 Annual Audit Letter 2010/11 (cont.)

- The District Auditor had issued an unqualified audit opinion on the Council's financial statements on 29th September 2011.
- 2010/11 was the first year the financial statements had had to be produced under International Financial Reporting Standards, which had required a significant amount of additional time and effort. The District Auditor commended the Council on meeting this challenge and providing a draft set of accounts by the set deadline that, in the main, were compliant with the new requirements.
- The District Auditor had also issued an unqualified value for money conclusion for the year ending 31st March 2011, indicating that the Council had proper arrangements in place for securing economy, efficiency and effectiveness.

It was noted that, whilst the unqualified audit opinion had been issued on 29th September 2011, the District Auditor had not yet been able to close the audit formally due to an objection made to the 2010/11 accounts but that she hoped to be in a position to do so by the end of February 2012.

It was agreed that updates would be given by the Director of Corporate Resources at the next meeting of the Committee:

- on the outstanding areas in respect of the National Fraud Initiative
- to confirm that the issues identified by the District Auditor in respect of focusing on the accuracy of forecasting; reporting this to Members; and bringing action plans together to form a single monitor of progress were being addressed.

The District Auditor would provide further information on the Council's nearest statistical neighbours and the meaning of running costs in relation to the Value for Money profile information, for circulation to members of the Committee.

A copy of the Annual Audit Letter would be deposited in the Members' Room.

RESOLVED

That the content of the Annual Audit Letter 2010/11 be noted.

AAG/29 **OBJECTION (LATER WITHDRAWN) TO THE 2008/09 ACCOUNTS**

A member of the public addressed the Committee in respect of this item.

The Head of Financial & Legal Services reported that, in response to an

AAG/29 Objection (later withdrawn) to the 2008/09 Accounts (cont.)

objection to the 2008/9 accounts by a local elector (subsequently withdrawn) relating to the future of the Town Hall, the District Auditor had written to the Council confirming that she was satisfied the Council had acted within the law in respect of the three specific issues raised by the objector.

However, the process for dealing with the Town Hall had been drawn out and the District Auditor had asked the Council to consider whether it could have acted differently to avoid this and to implement any learning for future decisions. It was noted that the copy of the District Auditor's letter circulated with the agenda, whilst dated 17th December 2010, was in all respects identical to the final letter which was dated 21st December 2010. Details of the Council's response to the District Auditor's letter were submitted.

As referred to in minute number AAG/29 above, the District Auditor indicated that she was now dealing with a similar objection to the 2010/11 accounts.

The Committee discussed a number of issues referred to in the letters, including the use of the private treaty route for bids.

In particular, Members considered that there was a lack of clarity regarding the difference between and the remit of Working Groups and Advisory Groups and requested that changes be made to the Constitution to remedy this.

RESOLVED

That the Council's response to the District Auditor be noted.

AAG/30 TREASURY MANAGEMENT STRATEGY 2012/13

The Head of Financial Services reminded Members that this Committee had responsibility for the implementation and monitoring of the Council's treasury management policy and practices. The Council had significant investments and borrowing and had to manage its cash flow in both the short and long term. It therefore required an overall strategy as well as sets of practices and procedures and the Treasury Management Strategy for 2012/13 was therefore submitted for approval.

The Chartered Institute of Public Finance and Accountancy had published a revised version of its Code in November 2011, in light of the additional financial freedoms available to local authorities in the Localism Act 2011. It would therefore be necessary formally to adopt the Treasury Management in the Public Services: Code of Practice 2011 Edition and a new Treasury

AAG/30 Treasury Management Strategy 2012/13 (cont.)

Management Policy Statement, which had been amended in line with the new Code of Practice.

Details of the current and expected treasury portfolios were submitted together with information in respect of:

- the investment strategy
- Investment criteria and limits
- Non-specified investments
- The Planned investment strategy for 2012/13
- Security benchmark: average credit rating
- Liquidity benchmark
- Yield benchmark
- Liquidity management
- Borrowing Strategy
- Policy on Use of Financial Derivatives

The CIPFA Treasury Management Code set a number of indicators the Council had to set, as follows:

- Interest rate exposures
- Maturity structure of borrowing
- Principal sums invested for periods longer than 364 days
- Gross and net debt
- Borrowing limits

The Department for Communities and Local Government Investment Guidance required the Council to note the use of treasury management advisers, staff training arrangements and its policy on investment of money borrowed in advance of need each year as part of the investment strategy.

Members requested that, at the next meeting of the Committee, they be provided with information in respect of the current qualifications of and training undertaken by the Council's treasury management team.

It was also agreed that Members of the Committee should be provided with training in respect of treasury management matters to enable them to better understand the information presented.

RECOMMENDED

- (i) That the 2011 version of the CIPFA Treasury Management Code of Practice be adopted.

AAG/30 Treasury Management Strategy 2012/13 (cont.)

- (ii) That the revised Treasury Management Policy Statement be adopted.
- (iii) That the Treasury Management Strategy for 2012/13 be approved.
- (iv) That the Treasury Management Indicators for 2012/13 be approved.

REASONS

- (i) The Council has previously adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice Fully Revised Second Edition 2009 (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.
- (ii) The Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

AAG/31 INTERNAL AUDIT – QUARTERLY UPDATE REPORT

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section from September 2011.

A summary of audit findings in respect of performance indicators, The Capitol, purchase cards, the transparency agenda, transport & plant and staff loans (car loans, season ticket loans, Pavilions membership & Cycle to Work scheme) was submitted. Internal Audit had also been involved in a recent lengthy special investigation and a 'lessons learnt' report had been produced for the Chief Executive together with a comprehensive action plan which was being reviewed by the Corporate Management Team. The main outcomes of this process would be reported to the Committee at its next meeting.

It was noted that Internal Audit was continuing to support the joint Information Security Project, pending the filling of the Information Security Manager's post. The Chief Internal Auditor was also a member of the

AAG/31 Internal Audit – Quarterly Update Report (cont.)

Project Assurance Core Team, which oversaw key Council projects as identified by Corporate Management Team.

As previously reported, Internal Audit resources had been stretched during the current financial year due to the incidence of special investigations and the long-term sick leave of a member of the audit team. Resources had been temporarily increased to ensure that all key financial systems were audited during 2011/12. Also, the audit plan had been revised and now included some additional areas for review which had been brought forward in response to areas of weakness identified, whilst the following audits would be deferred until 2012/13: Use of Consultants, Section 106 Agreements, Facilities Management and Reprographics.

The Chief Internal Auditor also reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2010/11 and 2009/10.

The Committee was concerned to note that a number of planned audits were being slipped and requested the Head of Financial & Legal Services to report to the next meeting on the adequacy of audit resources and how the risk was being evaluated. Members also requested that steps be taken to fill the vacant position of Information Security Manager as soon as possible, which would relieve some of the pressure on the audit team. It was considered that the results of the six most recent audits, resulting in two opinions of 'substantial assurance' and four of 'moderate assurance' demonstrated the continuing need for a strong internal audit team.

RESOLVED

- (i) That the summary of audit work undertaken since September 2011 be noted.
- (ii) That the revised audit plan for 2011/12 be noted.

REASON

- (i) To comply with the requirements set out in the CIPFA Code of Practice for Internal Audit.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/32 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Head of Financial & Legal Services reminded the Committee that it was charged with responsibility for monitoring the effectiveness of the Council's risk management arrangements.

It was noted that the corporate risk register had been fully reviewed by the Corporate Management Team and it was recommended that one risk: CRR18 (Hop Oast and Hurston Lane depots not large enough to accommodate the waste refuse vehicles) should now be removed as all actions had now been completed. It was also noted that a new risk had been added (CRR27 – Failure to comply with Council policy & procedures and legislative requirements in respect of Health & Safety) pending a comprehensive review of the Council's health & safety arrangements.

A meeting of senior officers had been arranged in early January 2012 to undertake a comprehensive review of corporate risk management and the Risk Management Strategy.

Members expressed concern that some senior managers were overworked and that this might, in itself, be a risk. Whilst the Head of Financial & Legal Services advised that this was a management issue, that it was a key role of managers to be aware of pinch points, and that the Chief Executive was aware of current areas of concern; the Chairman of the Committee indicated that he would raise this issue with the Chief Executive.

RESOLVED

- (i) That the updated Corporate Risk Register be approved.
- (ii) That risk CRR18 be removed from the Corporate Risk Register.
- (ii) That the progress made in respect of departmental risk registers be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/33 **URGENT MATTERS**

There were no urgent matters to be considered.

The meeting finished at 7.45pm having commenced at 5.30pm.

CHAIRMAN