

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
12TH DECEMBER 2012**

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

AAG/28 **MINUTES**

The minutes of the meeting held on 27th September 2012 were approved as a correct record and signed by the Chairman.

AAG/29 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/30 **ANNOUNCEMENTS**

There were no announcements.

AAG/31 **ANNUAL AUDIT LETTER 2011/12**

The Committee received and noted the Audit Commission's Annual Audit Letter 2011/12, which summarised the District Auditor's findings from the 2010/11 audit, as discussed at the last meeting of the Committee.

The Director of Corporate Resources gave an update on the new audit arrangements and reminded Members that, as a result of the Audit Commission's procurement exercise for the outsourcing of its in-house audit practice, Ernst & Young LLP had been awarded the contract for the South East, which included Horsham District, for the period 2012/13 to 2016/17.

AAG/32 **TREASURY MANAGEMENT STRATEGY 2013/14**

The Director of Corporate Resources reminded Members that 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 2013/14 was therefore submitted for approval.

In February 2012, the Council had adopted the Chartered Institute of Public Finance and Accountancy's revised Code of Practice, which required the Council to approve a treasury management strategy before the start of each financial year.

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

AAG/32 Treasury Management Strategy 2013/14 (cont.)

- Investment criteria and limits
- Non-specified investments
- The planned investment strategy for 2013/14
- 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
- Borrowing limits

In accordance with Department for Communities and Local Government Investment Guidance, information regarding the use of treasury management advisers, staff training arrangements and its policy on investment of money borrowed in advance of need each year was also submitted.

Members suggested that, in the future, it would be useful to have details of previously approved borrowing broken down by project.

RECOMMENDED

- (i) That the Treasury Management Strategy for 2013/14 be approved.
- (ii) That the Treasury Management Indicators for 2013/14 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 2011 (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

AAG/32 Treasury Management Strategy 2013/14 (cont.)

- (ii) The Department for Communities and Local Government 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/33 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS
MID YEAR REPORT 2012/13**

The Director of Corporate Resources presented a report on treasury management activity and prudential indicators for mid year 2012/13.

The report confirmed that, during 2012/13, the Council had complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, had not been breached.

It was noted that, during the first half of 2012/13, the Council's cash balances had been invested in accordance with the Council's treasury management strategy, with interest of £160,000 being earned on investments, an average overall return of 1.9%.

RESOLVED

That the report be noted

REASON

The report meets the requirements of the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which the Council adopted on 22nd February 2012.

AAG/34 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since June 2012.

A summary of audit findings in respect of Section 106 Agreements, Reprographics, Purchase Cards, Use of Consultants, Emergency Planning and Repairs & Maintenance was submitted.

With regard to Section 106 Agreements, Members asked to be advised as to whether any monies had been lost due to it not being spent before the specified date within an agreement and also asked for reassurance that a

AAG/34 Internal Audit – Quarterly Update Report (cont.)

system was in place to monitor time restricted agreements to ensure that this did not occur. The Head of Financial & Legal Services undertook to provide this information to Members of the Committee before the next meeting.

The Director of Corporate Resources advised Members that, whilst there had been some issues in respect of the management of repairs and maintenance, these would be addressed in the near future. It was also noted that the changes to Contract Standing Orders and the adoption of a Procurement Code, if approved by Council at its meeting on 19th December 2012, should lead to an improvement in the procedures for the engagement and management of consultants.

The use of purchase cards, which had previously been assessed as moderate assurance, had on this occasion received an overall audit opinion of substantial assurance.

An update was also given on the current position in respect of the Project Assurance Core Team and it was reported that a comprehensive review of the risk management process was being undertaken. It was noted that a special investigation had been undertaken in respect of the confidentiality of information.

As at 23rd November 2012, it was anticipated that one or two audits might not be completed within the current year due to the incidence of two recent special investigations. Priority would be given to completing the key financial systems audits, which were currently on track. It was noted that some of the planned governance and proactive fraud work had been delayed and NFI work had also been put on hold until resources became available. In this respect, it was noted that the key areas of the NFI work were undertaken by CenSus and were not therefore at risk.

The Chief Internal Auditor also reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2011/12, 2010/11 and 2009/10, together with details of agreed actions not yet implemented, an update for each item and a revised implementation date. It was noted that there had been a marked improvement in the number of outstanding actions that had now been implemented and a number of agreed actions currently outstanding related to amendments to the Council's Financial Regulations and Contract Standing Orders which, it was hoped, would be approved by Council on 19th December 2012. The Chief Internal Auditor was asked to highlight at the next meeting of the Committee any outstanding actions from 2009/10 and 2010/11 that were considered to be of significant concern.

AAG/34 Internal Audit – Quarterly Update Report (cont.)

RESOLVED

That the summary of audit and project work undertaken since September 2012 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/35 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor presented the latest quarterly update in respect of the Corporate Risk Register.

It was noted that the corporate risk register had been fully reviewed by the Corporate Management Team and that risk CRR38 (failure to implement the Community Infrastructure Levy (CIL) Scheme by April 2014 due to delay in preparing the District Planning Framework) had been added as a new risk. The implementation timescale for the new scheme was already extremely tight and any further delay would lead to a loss of income in CIL. Risk CRR27 (Health & Safety (Failure to comply with Council policy & procedures and legislative requirements)) would be removed, as all planned actions had been implemented and the level of risk reduced to an acceptable level.

Members noted the addition of risk CRR38 with concern and observed that the production of the District Planning Framework was a high priority for both Members and officers.

The action implementation dates in respect of risk CRR05, regarding information security, were to be checked and amended if necessary.

A progress update was submitted in respect of the Risk Management Strategy action plan for 2012/13.

A total of 12 out of 18 departmental risk register reviews had been completed in respect of the last quarter by the specified date and all outstanding reviews had been completed by the date of the preparation of the report.

AAG/35 Risk Management – Quarterly Update Report (cont.)

RESOLVED

- (i) That the updated Corporate Risk Register be approved.
- (ii) That the progress made in respect of departmental risk registers be noted.
- (iii) That the progress made in implementing the Risk Management Strategy action plan be noted.

REASON

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

AAG/36 **URGENT MATTERS**

There were no urgent matters to be considered.

The meeting finished at 6.46pm having commenced at 5.30pm.

CHAIRMAN