

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
5TH DECEMBER 2013**

Present: Councillors: David Holmes (Chairman), Leonard Crosbie, Jim Rae, Stuart Ritchie

Apologies: Councillors: John Bailey, Roy Cornell, Gordon Lindsay (Vice-Chairman)

Also present: Helen Thompson, Audit Director, Ernst & Young
Paul King, Audit Director, Ernst & Young

AAG/34 **MINUTES**

The minutes of the meeting held on 25th September 2013 were approved as a correct record and signed by the Chairman.

AAG/35 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/34 **ANNOUNCEMENTS**

There were no announcements.

AAG/35 **ANNUAL AUDIT LETTER 2012/13**

The Committee received and noted the Annual Audit Letter 2012/13, which summarised the External Auditor's findings from the 2012/13 audit, as discussed at the last meeting of the Committee.

Helen Thompson, Audit Director, Ernst & Young also referred to the External Auditor's Progress Report and the most recent edition of Ernst & Young's Local Government Audit Committee briefing, both of which would be supplied to Members of the Committee.

Ms Thompson referred to the constructive working relationship which had developed during her term of seven years as the Council's external auditor and thanked Members and officers. She introduced Paul King who would be taking over the role for the 2013/14 accounting year.

The Chairman expressed the Committee's thanks to Ms Thompson for the helpful and constructive approach she had taken as external auditor and welcomed Mr King to his new role.

AAG/36 **TREASURY MANAGEMENT STRATEGY 2014/15**

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. This required an overall strategy as well as sets of practices and procedures and the Treasury Management Strategy for 2014/15 was therefore submitted for approval.

Details of the current treasury portfolio were submitted together with information in respect of the borrowing and investment strategies, treasury management indicators, the policy on the use of financial derivatives, the Council's treasury management advisers, staff training and the investment of money borrowed in advance of need.

Members queried whether the Council reviewed who it used for treasury management advice. They were advised that the current advisers were Arlington Close. The Council was currently retendering for this service.

RESOLVED

- (i) That the Treasury Management Strategy for 2014/15 be approved.
- (ii) That the Treasury Management Indicators for 2014/15 be approved.

REASONS

- (i) The Council has 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.
- (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/37 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS
MID YEAR REPORT 2013/14**

The Director of Corporate Resources presented a report on treasury management activity and prudential indicators for the first half of 2013/14.

The report confirmed that, during this period, 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 2013/14, the Council's cash balances had been invested in accordance with the Council's treasury management strategy, with interest of £113,000 being earned on investments, an average return of 0.9%.

RESOLVED

That the mid-year treasury management stewardship report and mid-year prudential indicators for 2013/14 be noted.

REASON

The report meets the requirements of the relevant CIPFA Codes of Practice for Treasury Management and Prudential Indicators in Capital Finance.

AAG/38 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since September 2013.

A summary of audit findings in respect of Budgetary Control, which had achieved an overall audit opinion of substantial assurance, and Office Security (Physical), Car Parks and ICT Hardware, all of which had achieved an overall audit opinion of moderate assurance, was submitted.

Members noted and discussed issues that had been encountered in respect of the performance of the company that collected coins from car parks.

The Chief Internal Auditor gave an update on the current position regarding audits completed or nearing completion and indicated that, as previously reported, there was likely to be some slippage in the audit plan. It was noted that the new auditor, who had initially been appointed on a temporary contract, had now been offered a permanent contract which would secure continuity of employment for the postholder and increased resilience for the audit team during a period of significant organisational change.

AAG/38 Internal Audit – Quarterly Update Report (cont.)

In response to a query, Members were advised that although there had been a gap between a member of the audit team leaving and a new auditor being appointed this was due to the appointee's prior commitments, not any administrative delay on the Council's part.

Since the last meeting of the Committee, the Chief Internal Auditor had consulted widely on the new 5x5 risk matrix and updated the Council's Risk Management Strategy. The Corporate Management Team had approved the new model and the Corporate Risk Register had been re-plotted on the new 5x5 matrix.

Members requested the Chief Internal Auditor to provide an update confirming whether or not audits which slipped from the 2012/13 audit plan had now been completed.

RESOLVED

That the summary of audit and project work undertaken since September 2013 be noted.

REASONS

- (i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/39 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 the impact and likelihood scores had been reassessed using the new 5x5 risk matrix. Risks CRR21 (formal Cascade system for calling out staff as required to resolve internal incidents) and CRR31 (potential financial loss due to new Government initiative to move towards Universal Credit) had been removed, as agreed at the last meeting of the Committee.

With regard to CRR39 (relating to the Management Restructure and Hay/Banding reviews), Members asked whether the Hay/Banding review

AAG/39 Risk Management – Quarterly Update Report (cont.)

was on target for completion as scheduled. They were advised that there might be a one month delay as the training had been delayed due to the trainer's illness but that it should be completed by the end of March 2014.

A summary of the issues considered by the Operational Risk Management Group at its most recent meeting was also submitted.

In response to Members' questions, Mr King indicated that he was impressed with the Council's risk management process and that the Council was in a good place in terms of risk reporting and Member discussions. He indicated that similar meetings he attended at other authorities did not cover the area of risk management and were therefore not as proactive.

RESOLVED

- (i) That the updated Corporate Risk Register be noted.
- (ii) That the main points of discussion at the recent Operational Risk Management Group meeting be noted.
- (iii) 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/40 URGENT MATTERS

There were no urgent matters to be considered.

AAG/41 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That, under Section 100A(2) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the

AAG/41 Exclusion of the Press and Public (cont.)

circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/42 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT ON AUDIT FOLLOW UPS (PARAGRAPH 3)**

The Chief Internal Auditor reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2013/14, 2012/13, 2011/12, 2010/11 and 2009/10, together with details of agreed actions not yet implemented, an update for each item (including an assessment of priority) and a revised implementation date.

The Chief Internal Auditor gave an update on the current position in respect of two specific areas of concern (Special Investigation (Information Leak) and Fuel Loss at Hop Oast Depot).

The meeting finished at 7.05pm having commenced at 5.30pm.

CHAIRMAN