

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE**  
**23<sup>rd</sup> JUNE 2015**

Present: Councillors: Brian Donnelly, Ian Howard, Adrian Lee, Paul Marshall, Godfrey Newman, Stuart Ritchie

Apologies: Paul Clarke

Also present: Councillors: Leonard Crosbie, Tricia Youtan  
Hannah Lill, Manager, Ernst & Young  
Katharine Eberhart, Director of Corporate Resources  
Tim Delany, Head of CenSus Revenues & Benefits  
Paul Miller, Chief Internal Auditor  
Julian Olszowka, Group Accountant (Technical)

AAG/1 **ELECTION OF CHAIRMAN**

RESOLVED

That Councillor Godfrey Newman be elected Chairman of the Committee for the current Council year.

AAG/2 **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED

That Councillor Stuart Ritchie be appointed Vice-Chairman of the Committee for the current Council year.

AAG/3 **TIME OF MEETINGS**

RESOLVED

That meetings of the Committee be held at 6.00pm for the ensuing Council year.

AAG/4 **MINUTES**

The minutes of the meeting held on 25<sup>th</sup> March 2015 were approved as a correct record and signed by the Chairman.

AAG/5 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

There were no announcements.

AAG/7 **UPDATE ON THE BENEFITS AUDIT**

Further to discussion at the last meeting of the Committee regarding the Annual Certification Report 2013/14 (Minute No. AAG/45 (25.3.15) refers), Tim Delany, Head of CenSus Revenues and Benefits, gave an update on the progress being made in implementing the action plan agreed with the Auditors to improve the quality of benefits assessments.

For the benefit of new Members, the Head of CenSus Revenues and Benefits gave an overview of the benefits assessment process, how benefits subsidy was paid and the audit process used to assess the level of error in the calculation of benefits or compilation of claims. It was noted that the 2014/15 benefits audit was currently underway.

AAG/8 **AUDIT PROGRSS REPORT**

Hannah Lill, Manager, Ernst & Young presented a progress report which provided an overview of the 2014/15 audit and a summary of work completed since the last report to the Committee. The report included a timetable showing the key stages for the 2014/15 audit. It was noted that the External Auditor would be on-site from 6<sup>th</sup> July 2015 to carry out the post-statements audit work.

AAG/9 **2014/15 YEAR END OUTTURN REPORT**

The Director of Corporate Resources presented a report comparing the 2014/15 actual expenditure (outturn) on revenue, capital and repair & renewals with the budget approved by the Council in February 2014, as subsequently amended.

The budget was monitored on a monthly basis and quarterly reports were made to the Finance & Performance Working Group throughout the year. Since Quarter 3, the predicted underspend against budget had moved from £250,000 to £803,000. The main variances were summarised and included overprovision for housing benefit subsidy, higher appeal costs than forecast and the net costs of the Capitol Theatre being higher than forecast. In addition there had been significant additional income particularly in respect of green waste and planning fees.

Business Rates was an important element of income for the Council. It was noted that there had been a large increase in the number of appeals lodged against the values included in the current Valuation List before the 31<sup>st</sup> March 2015 deadline. As a result it had been considered prudent to increase the provision for refunds on back-dated appeals, since a successful appeal might generate a refund going back to April 2010. Consequently the overall position for 2014/15 was that rates income had achieved the government's baseline figure, but had not generated a surplus.

AAG/9 2014/15 Year End Outturn Report (cont.)

A National Non-Domestic Rates reserve had been created in 2013/14 to manage the complexities and timing issues associated with this scheme and this held sufficient funds to protect the Council against an unforeseen reduction in Business Rates.

Salaries were a major element of Council expenditure and were also monitored on a regular basis. The high levels of temporary staff in Development and Building Control were a result of the national increase in development activity and the resulting competition for qualified planning staff. The Council continued to work on attracting and retaining suitably qualified permanent staff in these areas. In ICT, temporary staff were often employed to carry out project work as their particular skills were not required on a permanent basis. It was also noted that it was the practice of Operational Services to employ agency staff initially to fill vacancies, with those who proved satisfactory subsequently being offered permanent positions.

The Director of Corporate Resources also drew Members' attention to movements between the General Fund Reserve and earmarked reserves during 2014/15.

The capital programme was also underspent and the unused budgets for capital schemes in progress had been carried forward to 2015/16.

RESOLVED

That the following be noted:

- (i) The financial position of the Council, as outlined in the report.
- (ii) The revenue budgets carried forward as approved by the Director of Corporate Resources and outlined in the report.
- (iii) The transfers between the General Reserve and earmarked reserves, as outlined in the report.

REASON

Monitoring of the Council's budget is essential, so that action can be taken to safeguard the Council's financial position if required.

AAG/10 **AMENDMENTS TO THE TREASURY MANAGEMENT STRATEGY 2015/16**

The Director of Corporate Resources reminded Members that the originally proposed treasury management strategy had been amended (Minute No. AAG/35 (7<sup>th</sup> January 2015) refers), with the deletion of the proposed use of Pooled Funds (other than Money Market Funds). However, the limits in the range of the other allowed investments had not been increased to compensate for the restriction. Consequently, it was considered prudent to increase the limit on another investment type for the rest of 2015/16 to ensure the Council had adequate options available.

It was therefore proposed that the overall limit on Money Market Funds should be increased from £20,000,000 to £30,000,000, with the limit of £5,000,000 on each fund remaining unchanged.

RECOMMENDED

That an amendment to the Treasury Management Strategy for 2015/16 to increase the overall limit for Money Market Funds to £30,000,000, whilst leaving the individual fund limit unchanged be approved.

REASON

To ensure that the Council has adequate investment options available within its Treasury Management Strategy.

AAG/11 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since March 2015.

A summary of audit findings in respect of Green Waste (which had achieved an overall audit opinion of full assurance); Council Tax, Business Rates (CenSus), Treasury Management and Creditors (substantial assurance); and Payroll and Pest Control (moderate assurance) was submitted.

It was agreed that the Chairman of the Committee would write to the Green Waste Team to congratulate them on the achievement of an audit opinion of full assurance.

RESOLVED

That the summary of audit work undertaken since March 2015 be noted.

AAG/11 Internal Audit – Quarterly Update Report (cont.)

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/12 ANNUAL INTERNAL AUDIT REPORT 2014/15

The Chief Internal Auditor advised that the annual report had been compiled to:

- Provide a statement on conformance with the Public Sector Internal Audit Standards;
- Summarise the effectiveness of internal audit work; and
- Summarise the work undertaken by Internal Audit during 2014/15 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.

The Council's Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards, which required the Chief Internal Auditor to undertake a self-assessment of the internal audit service against a Quality Assurance and Improvement Plan checklist the results of which were outlined as part of the Annual Audit Report. It was noted that the Internal Audit Team had maintained its independence throughout 2014/15 in accordance with the Audit Charter.

The Internal Audit team used a risk based approach when determining the annual audit plan and undertaking audit assignments. In order to respond to new risk areas identified during the year, the audit plan was sufficiently flexible to allow for additional audits to be undertaken. During the year, 85% of audits had been completed against a target of 85%. Details of progress against the annual plan for 2014/15, the implementation of agreed actions, reporting and management feedback were reported.

The Chief Internal Auditor reported that he was of the overall opinion that substantial assurance could be given that there was generally a sound system of internal control, designed to meet the Council's objectives, and that the controls were generally being applied consistently.

AAG/12 Annual Internal Audit Report 2014/15 (cont.)

RESOLVED

- (i) That the statement of compliance with the Public Sector Internal Audit Standards be noted.
- (ii) That the performance of internal audit against performance targets be noted.
- (iii) That the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems be noted.

REASONS

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

AAG/13 DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

The Director of Corporate Resources submitted the Annual Governance Statement (AGS) in draft form for Members' information. The annual review of the Council's governance, risk management and internal control arrangements had been undertaken to support the production of the Annual Governance Statement for 2014/15. This review included information and assurance gathering processes to ensure that the published Annual Governance Statement was correct as well as a review of the Council's Governance framework against the best practice framework devised by the Chartered Institute of Public Finance Accountants/Society of Local Authority Chief Executives.

The aim of the review process was to ensure that the Council had effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives. Additionally, the review process identified any shortfalls in these arrangements to enable them to be addressed.

It was agreed that the final paragraph of section 5 should be amended to include Building Control as one of the partnerships in which the Council participated.

AAG/13 Draft Annual Governance Statement 2014/15 (cont.)

The AGS would be submitted for final approval by the Committee at its next meeting in September.

RESOLVED

That the draft Annual Governance Statement be amended as indicated above and that Members pass any further comments on the draft statement to the Director of Corporate Resources before the next meeting of the Committee.

REASON

As part of good governance, it is important that the Annual Governance Statement is approved by Members of the Committee.

AAG/14 RISK MANAGEMENT – QUARTERLY UPDATE REPORT

The Director of Corporate Resources presented the latest quarterly update of the Corporate Risk Register.

It was noted that at the beginning of the year, an independent review of risk management had been undertaken by external consultants and they had subsequently facilitated a series of workshops for the Senior Leadership Team and service managers and six new risks had been added to the corporate risk register.

An action plan had been developed for the purpose of improving the risk management process, taking into account a number of the consultant's recommendations.

RESOLVED

That the report be noted.

REASON

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

AAG/15 URGENT MATTERS

There were no urgent matters to be considered.

AAG/16 **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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/17 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT ON AUDIT FOLLOW UPS (PARAGRAPH 3)**

The Chief Internal Auditor submitted a report summarising progress since March 2015 on the implementation of actions in respect of audits undertaken in 2014/15, 2013/14, 2012/13 and 2011/12.

RESOLVED

- (i) That progress in terms of agreed actions implemented since March 2015 be noted.
- (ii) That the position in respect of the specific areas highlighted by the Chief Internal Auditor be noted.

RESOLVED

The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

The meeting finished at 7.08pm having commenced at 5.30pm.

**CHAIRMAN**