

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Tuesday, 4th December, 2018, 2.00 pm

Councillors: Brian Simmons (Chair) and Cherry Beath

Independent Member: John Barker

Officers in attendance: Donna Parham (Interim Director - Finance), Jeff Wring (Head of One West) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance: Peter Barber (Grant Thornton) and Sophie Morgan-Bower (Grant Thornton)

12 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

13 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Andrew Furse and Councillor Barry Macrae. Councillor Cherry Beath substituted for Councillor Furse.

15 DECLARATIONS OF INTEREST

There were none.

16 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair asked for clarification about a proposal to merge the Corporate Audit Committee with the Resources Policy Development and Scrutiny Panel which had been discussed at a meeting of the PDS Chairs and Vice-Chairs. He was concerned about this, as it was his understanding that there was a legal requirement for the Council to have a separate Corporate Audit Committee and that that there would be a conflict of interest if the audit and scrutiny functions were carried out by the same panel. The Head of One West said that he had only just learned about this. As far as he understood it, the PDS Chairs and Vice-Chairs wanted to make recommendations to the working group that is considering changes to the Council's PDS Panels. He was aware that the Chair of this Committee had requested a discussion about the implications with relevant officers. There is an ongoing review of the role and remit of the Policy Development and Scrutiny Panels taking into account the future reduction in the number of Councillors from 65 to 59. There had been proposals to merge activities and reduce the number of PDS Panels to three from the current five, but nothing had been decided yet. Mr Barber said that in his experience councils varied in how they implemented corporate audit arrangements, sometimes allocating them to a governance committee or a finance committee, but he had not seen an example of a Council combining the corporate audit function with the scrutiny function.

17 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

18 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

19 MINUTES: 30 JULY 2018

These were approved, subject to the following amendments on page 4 (agenda page 8):

first and second paragraphs:

'Interim Director – Resources' should be 'Interim Director – Finance'.

second paragraph

line 4: 'would' should be 'could'

line 5: 'will' should be 'may'

20 FINANCIAL REGULATIONS UPDATE - PRESENTATION

The Head of One West distributed copies of PowerPoint slides to Members. These are attached as an appendix to these minutes.

He began by reminding Members that it was one of the duties of the Committee, as set out in its Terms of Reference:

“to review periodically the Council's key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Policy and to recommend any necessary amendments”.

The new Financial Regulations had been approved at the September meeting of the Council, before which a briefing had been given to the Chair of the Committee. It had been agreed that a briefing on the new Regulations would be given to Members at the next meeting of the Committee.

The Financial Regulations can only be amended by full Council, but they are subject to review by the Corporate Audit Committee. They form part of the terms and conditions of employment of all officers in the Council.

The Interim Director – Finance summarised the key changes in the new Regulations.

A Member asked about the management of bad debts. The Interim Director – Finance replied that the Member would recall that a question had been put to Council about the use of bailiffs. The full bad debt policy would be presented to the Committee for approval in due course.

Members noted the amendments to allow the Cabinet some flexibility in utilising unearmarked General Balances, provided that the Balances were within the permitted range. The ranges are set by full Council as part of the budget process and it is the higher end of the range that forms part of the budget total.

A Member asked how the various parts of the financial framework could be kept aligned and consistent in times of high volatility, such as post-Brexit for example. He suggested changes needed to be done on a prospective rather than a retrospective basis. The Interim Director – Finance replied that each part of the framework was reviewed for consistency with the other parts. That is why internal consultations were held on them. She was not sure that this required them all to be reviewed at the same time. It might be that in times of volatility amendments to parts of the framework would be required more often.

RESOLVED to note the information about the Council's Financial Regulations 2018.

21 TREASURY MANAGEMENT SIX MONTH UPDATE

The Interim Director – Finance presented the report.

The average rate of return on investments for 2018/19 was detailed in Appendix 3.

The Council's Capital Financing Requirement at 31st March 2018 was £247.1m with a projected total of £434m by the end of 2018/19 based on the capital programme approved at February 2018 Council. Cash balances are being used to finance capital spending in preference to borrowing. This makes sense while interest rates on cash on deposit are so low. Appendix 6 shows that there was a favourable variance in relation to capital financing April-September.

In response to questions from Members the Interim Director – Finance stated:

- The Central Library refurbishment was still in the capital programme, though the project was on hold and was being reviewed.
- The cost of repaying or rescheduling loans whose interest rates had reverted to the variable rate of 4.5% was currently greater than the cost of continuing with them.
- The period up to Brexit and beyond could well be turbulent. The Council will monitor developments and changes in interest rates with advice from Arlingclose and seek to diversify its borrowing and to borrow at the lowest rates available.

A Member noted that the Bank of England's response to the result of the European Referendum had been to reduce base rates; he suggested that this might happen after Brexit and might provide the Council with an opportunity to reschedule its loans at a low cost. The Interim Director – Finance assured the Member that the Finance team were monitoring developments closely. The aim was always to borrow at the most advantageous rate possible.

RESOLVED to note:

1. the Treasury Management Report to 30th September 2018, prepared in accordance with the CIPFA Treasury Code of Practice;
2. the Treasury Management Indicators to 30th September 2018.

22 EXTERNAL AUDIT UPDATE REPORT

Mr Barber presented the External Audit Letter. He reported that there would be changes to fees for additional work as follows:

- Teachers' Pension: £810 additional fee: final fee will be £5,010.
- Housing Benefit: £1,257 additional fee: final fee will be £18,017.

These additional fees had been discussed with the Interim Director – Finance. The Housing Benefit fee was subject to approval by Public Sector Audit Appointments.

A Member noted that two Councils had identified as a risk to the provision of social care a potential shortage of staff from eastern Europe as a consequence of Brexit. This could mean short-term financial savings, or a great increase in costs if staff had to be found from other sources. He asked whether a similar risk should be registered for B&NES in the short, medium term and longer terms and whether there was any Brexit contingency in the Council budget. The Interim Director – Finance replied that the potential impact of Brexit had been taken into account in financial planning. The Member explained that he was not just referring to financial risk, but also reputational risk if the Council could not continue to deliver an efficient service. He suggested that the risk needed to be assessed in the local context in terms of its impact on the medium-term financial plan.

Mrs Morgan-Bower presented the External Audit Update and Sector Progress Report.

RESOLVED to note the report and appendices.

23 INTERNAL AUDIT SIX MONTH UPDATE

The Head of Audit and Assurance presented the report and drew attention to the performance dashboard on agenda page 70. Members noted that only 32% of the plan was substantially complete at the half-way point of the year and the reasons given for this in paragraph 4.2.2 of the report.

A Member noted the reference in paragraph 4.2.4 to assistance obtained from Devon Audit Partnership to help manage the shortfall of available audit days because of a staff vacancy and asked whether there was progress to formalising a working relationship between the Devon Partnership and One West. The Head of One West explained that there was a memorandum of understanding between the two partnerships, which facilitated the sharing of resources. There was also an exchange of best practice and audit methodologies. There were ongoing discussions about recruitment options for the future to maximise efficiencies.

A Member noted that the Committee had been promised a presentation on risks to contracted-out services in the wake of the collapse of Carillion. The Head of One West replied that on company vetting and contract monitoring would be given at the next meeting of the Committee.

RESOLVED to note the progress made against the Internal Audit Plan for 2018/19.

The meeting ended at 3.23 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

This page is intentionally left blank

Audit Committee Briefing

Financial Regulations

December 2018

Why do we have Financial Regulations?

- » Local Government Act directs that we must make arrangements for the proper administration of our financial affairs
- » Council must determine how we do this and be responsible for the accounting systems and the form of both the accounts and all supporting records and documentation
- » Rules must be observed, subject to audit and that all records are maintained in a satisfactory manner
- » Council therefore must ensure we have the right financial management policies in place and that they are adhered to.

What are our Principles related to Financial Regulations?

- » Openness & Transparency
- » Leadership & Management
- » Integrity
- » Value for Money
- » Compliance
- » Accountability
- » Risk Management
- » One Council Approach

What is the Governance?

- » Forms part of the Council's Constitution
- » Can be approved and changed only by Full Council
- » **Subject to Review by Audit Committee**
- » S151 Officer Role Creates and oversees
- » Head of Audit Role independently reviews
- » All Officers must comply (part of t's & c's)

What are the Key Changes?

- » To reflect the new Council & Management Structure
- » To amend in line with the current Internal Audit Charter
- » To amend to reflect updated Procurement Strategy and IR35 regulations regarding agency staffing
- » To update the approved delegation regarding approval of capital schemes from “Provisional” to “Full” approval and amend further to delegate decision to Directors in
- » To update the Budget Management scheme to allow further delegation of virements within the Scheme
- » To simplify and streamline the write off of bad debts
- » To amend to allow Cabinet some flexibility to utilise unearmarked General Balances

Questions?