

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Tuesday, 4th February, 2014, 5.30 pm

**Councillors:** Gerry Curran, Dave Laming, Brian Simmons and Roger Symonds (In place of Will Sandry)

**Independent Member:** John Barker

**Officers in attendance:** Tim Richens (Divisional Director- Business Support), Jeff Wring (Divisional Director, Risk and Assurance) and Andy Cox (Group Manager (Audit/Risk))

**Guests in attendance:** Barrie Morris (Grant Thornton) and Kevin Henderson (Grant Thornton)

**52 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**53 ELECTION OF VICE-CHAIR**

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

**54 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from the Chair, Councillor Will Sandry. Councillor Roger Symonds substituted for him and Councillor Andrew Furse acted as Chair.

Apologies were also received from Councillor Barry Macrae. Members wished Councillor Macrae a speedy recovery.

**55 DECLARATIONS OF INTEREST**

There were none.

**56 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**58 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**59 MINUTES: 3 DECEMBER 2013**

These were approved as a correct record and signed by the Chair.

## 60 TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2014/15

The Divisional Director-Finance presented the report. He explained that the report set out the Treasury Management and Investment Strategies for the coming year. The Committee was invited to approve them before they went to Cabinet and Council for approval. The Treasury Management Strategy dealt with the Council's borrowing and the Investment Strategy with how the Council's cash balances were used. Members were provided with an updated version of the Treasury Management Strategy.

The Divisional Director-Finance reported that the Council's borrowing had decreased by £50m as a result of the debt payment programme, which used cash which would only earn low rates of interest to repay debt typically incurring interest at 4.5%. He emphasised that the prudential indicators given in Appendix 1 set the maximum level of borrowing; the actual level would be based on various factors, including market conditions. Cash reserves had declined because of debt repayment. He drew attention to the list of counterparties given in Appendix 3.

A Member asked about the potential impact on the Council's budget of its designation as a Lead Local Flood Authority. The Divisional Director-Finance explained that contingency funding was included in various budgets, such as Highways. If these were insufficient, then the Council's reserves could be used. It was also possible that insurance cover could be obtained against some events. If funding from these sources were inadequate, an application could be made to the Secretary of State for funding from the Belwin Scheme.

The Chair referred to the updated Treasury Management Strategy and asked about the figure of £101m "not borrowed in previous years". The Divisional Director-Finance explained that Council always had a capital financing requirement, which could be funded in various ways. For example, cash could be used instead of borrowing, though eventually money would have to be borrowed for the capital programme. The figure of £101m represents the sum that would have had to be borrowed in previous years if the capital programme had not been funded by other means. There had been no borrowing for the Keynsham Regeneration Scheme. Anticipated capital receipts were also a factor that depressed the borrowing requirement.

### **RESOLVED:**

1. To recommend the actions proposed within the Treasury Management Strategy Statement to February Cabinet and Council for approval.
2. To recommend the Investment Strategy as detailed in Appendix 2 to February Cabinet and Council for approval.
3. To recommend the authorised lending lists detailed in Appendix 2 and highlighted in Appendix 3 to February Cabinet and Council for approval.

## 61 RISK MANAGEMENT UPDATE

The Divisional Director – Risk and Assurance presented the report. He explained that the Risk Management Strategy in Appendix 1 set out the framework and processes for risk management within the Council. Paragraph 4.5 of the report set out the main elements in the framework of systems for risk management. Much had changed in local government since the Risk Management Strategy had been agreed in 2011 and some parts might no longer be relevant; he invited Members to let him have their views on how the Strategy might be updated.

A Member noted that there was no reference to flood management in the Strategy; he thought it might be appropriate to include it in the Strategy now that the Council was a Lead Local Flood Authority. The Divisional Director – Risk and Assurance suggested that it was not appropriate to include individual risks in the Strategy. Another Member suggested that while this might be the case the role of Lead Local Flood Authority did bring additional risk, even if only reputational risk, and this ought to be recognised in an appropriate fashion.

A copy of a summary dashboard of the corporate risk register was provided to Members. The Divisional Director – Risk and Assurance explained that the 11 corporate risks were listed in approximate order of priority. The financial challenge still remained the most significant risk. Flooding was not mentioned specifically, though severe weather did appear among the 11 risks. Members were invited to comment on whether the risks identified and the level of priority given to them was still appropriate. A Member noted that damage caused by severe weather might result in the need to redo work that had already been done. The Divisional Director – Finance responded that this was recognised in the contingency included in, for example, the Highways budget; there was also specific recognition of problem areas, like the Chew Valley. A Member asked about the impact of high levels of nursing and social care in the Council's area. The Divisional Director-Finance explained that nursing care is not the Council's responsibility, though residential care is, and large numbers of people in the area were in receipt of personal care budgets. Though the Council was not responsible for nursing care it was assuming responsibility for the management of nursing care payments.

A Member raised the issue of the safety on the banks of River Avon, referring to a recent drowning and the failure to implement all of the recommendations made by RoSPA. He also referred to the risk of flooding, about which he had made a motion to Council on 16 January this year. He noted that conditions had been very volatile with a change from a drought in April 2012 to repeated flooding within a very short time. He believed that all relevant authorities should work together to address the increasing risks. The Committee agreed that these issues should be referred to the relevant Policy and Development and Scrutiny Panel.

The Chair asked about activities, such as fracking and drilling, in the areas of other local authorities that could impact geologically on Bath and North East Somerset. He recalled that some time ago a geologist commissioned by B&NES had reported that the Bath hot springs were formed from ancient water that had percolated from the Mendips and had been heated as it passed through a geological fault. He wondered what protection the springs had from activities in the area of other authorities. The Risk Manager noted that fracking had to be authorised by a government licence. The Divisional Director-Risk and Assurance said that he would make inquiries and report back to the Committee on the issue.

A Member commented in relation to the Risk 4 that it is not the Council which builds houses, it is builders who do and in relation to Risk 11 that a definition of “successful resolution was required as it might be considered a success if the people went elsewhere, but even in that case there would be a reputational risk for the Council.

**RESOLVED** to note the Council’s Risk Management Strategy and Corporate Risk Register.

## **62 ANNUAL GOVERNANCE REVIEW UPDATE**

The Risk Manager presented the report. He informed Members that the annual review of the current year had just commenced. He explained that the Annual Governance Review was a very broad review and covered all the Council’s systems and processes. He drew attention to Appendix 1, which showed the components of the review process and significant stages. He said that the long list of governance issues would be brought to the next meeting of the Committee.

The Divisional Director-Finance reminded Members that the Audit and Risk dashboard, brought to the Committee for the first time at the previous meeting, would in future be included with the agenda twice a year.

**RESOLVED** to note the process and timetable for the Annual Governance Review 2013/2014.

## **63 EXTERNAL AUDIT UPDATE**

Mr Morris presented the External Audit Update Report. He said that the 2013-14 Accounts Audit Plan would be presented to the next meeting of the Committee. Work on the Value for Money opinion would begin this month.

Mr Henderson commented on the Certification Report 2012/13. He drew attention to the “key message” on Housing Benefits (errors in relation to classifying overpayments) on agenda page 77 and to the “significant finding” on the Housing and Council Tax Benefit Scheme claim (insufficient management capacity) on agenda page 79.

Mr Morris reported that representations had been received from members of the public about the Bath Transportation Package (agenda page 81), which had been dealt with as part of the certification work. In response to a question from the Chair, Mr Morris explained that the certification work had been delayed so that the public representations could be dealt with at the same time, rather than them having to be dealt with separately.

The Divisional Director-Finance reported that an action plan was being prepared to address the issues raised by the external auditors. He suggested that the issues needed to be put in context: the error of £64 referred to on agenda page 81 should be considered against the total budget for the Housing and Council Tax Benefit Scheme of £63m. Mr Morris agreed that the error needed to be put in context: it was unusual for a local authority not to have amendments to claims and most authorities had qualified claims. The Chair commented that £64 might not be a lot in relation to the total budget, but it could be a large sum to an individual. The Divisional Director-Finance said that the £64 was not necessarily an overpayment. It was the Council’s

practice to amend benefit payments if the claimant telephoned in to notify a change of circumstances, and to tell them to send in a pay slip as confirmation. The claimant's record should then be flagged and the pay slip chased if it failed to arrive. This might not have happened in relation to the £64, so that there was no supporting evidence for the amendment. The external auditors' comment on the issue was fair and would be addressed in the action plan.

Mr Henderson commented on the Protecting the Public Purse: Fraud Briefing (Appendix 3). He noted that nationally the number of detected frauds had fallen by 14% but the value of fraud had reduced by only 1%, which indicated that there had been an increase in higher-value fraud. The graph on page 92 also showed that while the number of cases of Housing Benefit and Council Tax Benefit fraud detected in BANES was higher than the southern Unitary Authority average, the value was lower, raising questions about whether higher-value fraud in BANES might be escaping detection. The Chair asked what the national averages were. Mr Henderson said he would report back on this. A Member asked whether how money lost through fraud was recovered. The Divisional Director-Finance said that he would report back on this.

**RESOLVED** to note the various updates from the External Auditor.

The meeting ended at 7.00 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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