

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Thursday, 26th March, 2015, 5.30 pm

**Councillors:** Will Sandry, Gerry Curran (Chair), Dave Laming, Brian Simmons and Brian Webber

**Independent Member:**

**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:**

**38 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**39 ELECTION OF VICE-CHAIR**

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

**40 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Councillor Andrew Furse.

**41 DECLARATIONS OF INTEREST**

There were none.

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

There was none.

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

There were none.

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

There were none.

**45 MINUTES: 2ND DECEMBER 2014**

The minutes of the 2<sup>nd</sup> December 2014 were approved as a correct record and signed by the Chair.

**46 EXTERNAL AUDIT UPDATE REPORT**

Mr Henderson presented the report and drew the attention of Members to key points in the three appendices.

In reply to a question from a Member, the Divisional Director – Business Support explained that the Council was allowed to charge the operating costs of the Regional Growth Fund to the LEP.

Mr Henderson confirmed that the external auditors were already co-operating with the PCT on the review of the Better Care Fund.

Mr Henderson said that the qualification made to the Housing Benefit subsidy claim should not cause serious concern: the auditor had a duty to report any discrepancies and the rules were very complex. Most councils had issues in this area. The more errors found, the more work the auditor had to do, which impacted on the fee charged. A Member suggested that the implementation date for the action plan for Housing Benefit (agenda page 56) was very short, and wondered whether it was reasonable. Mr Henderson said that the date had actually been set six weeks ago, so the time for implementation was longer than at first appeared. The Member suggested that if there was slippage in implementation, the Customer Services Team Leader should be invited to the next meeting of the Committee to explain what was happening. There was clearly a cost to the Council if problems were not resolved, so the Committee should keep the matter under review.

The Divisional Director – Risk and Assurance reminded Members that the Section 151 Officer and the Chair were required to send a letter to the External Auditor setting out the Chair's view on how assurance management complies with audit standards and other requirements. A draft had been agreed by the Chairman, and would be circulated to Members for comment before it was sent.

Mr Henderson invited Members to let him have feedback on the format of the external audit reports.

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

## **47 TREASURY MANAGEMENT STRATEGY**

The Divisional Director – Business Support presented the report. He pointed out that there were actually two strategies for consideration: the Treasury Management Strategy, dealing with borrowing, and the Investment Strategy. He said that the two strategies were approved by Council in February in time for the new financial year. Usually they would have come to Committee first, but the Committee had not met in February this year. Any comments from the Committee would be reported to the July meeting of Council.

He said that there had been no change in the overall approach, which was to use cash flow to minimise borrowing. Though the potential need to borrow for the capital programme was recognised, it would be avoided as far as possible. The overall approach made sense at a time when the cost of debt and returns on investment were both very low. It had been necessary to incur some new debt during the year because of reduced cash flow and the need to pay creditors, but the Council was still £120m under its borrowing limit.

## **RESOLVED:**

1. To approve the actions proposed within the Treasury Management Statement.
2. To approve the Investment Strategy as detailed in Appendix 2.
3. To approve the changes to the authorised lending lists detailed in Appendix 2 and highlighted in Appendix 3.

## **48 INTERNAL AUDIT REPORT**

The Group Leader Audit and Risk presented the performance report. He drew attention to the reasons given in paragraph 4.4 of the report for current percentage (81%) of planned work completed and to the wider performance indicators given in paragraph 4.6.

A Member expressed concern about the high number of recommendations made to services after audits. The Group Leader Audit and Risk responded that he thought it preferable to make smart recommendations, which were very specific, rather than to try to incorporate everything in one long recommendation, which might leave room for ambiguity. The focus on the individual elements of controls was intended to leave management in no doubt about what needed to be done.

A Member noted that 200 days of support from South West Audit Partnership had been included in the Audit Plan, but only 128 days had been delivered. He wondered this was an issue of expertise or the compatibility of the staff resource that SWAP were able to offer. The Group Leader Audit and Risk replied that the reference to 200 days of SWAP support in the Audit Plan was only intended to identify work that might be sourced from them, and did not mean that that work had actually been allocated to them. There were issues relating to the organisation of audits that had prevented more days being sourced from them. The Divisional Director – Risk and Assurance said that this had been a transitional year: external providers were being used for the first time, and the Internal Audit Team had been learning how to work with them so that they could deliver the maximum benefit.

The Divisional Director – Risk and Assurance updated Members on resources and progress with the audit partnership with North Somerset. As stated in paragraph 4.15 of the report work was underway to finalise the contract for the partnership and to arrange for TUPE of North Somerset Council staff. It was hoped that a fully integrated audit team would be operational from 5<sup>th</sup> April 2015. Every opportunity to add value would be taken. Other local authority partners were being sought, and it was hoped to generate new income for the partnership by doing work for other public sector bodies.

The Divisional Director – Risk and Assurance drew the attention of Members to his formal opinion on the internal control framework given in paragraphs 4.19-4.23 of the report.

**RESOLVED** to note the summary of audit work completed during 2014/15 and the performance of the Internal Audit Team given in Appendices 1 and 2 to the report.

## **49 INTERNAL AUDIT PLAN**

The Group Leader Audit and Risk presented the report. He said that the usual risk-based methodology had been used to prepare the Plan. He had met all the Divisional Directors to discuss their requirements. 51 audit reviews were planned. Other work included the Council's Annual Governance Review, providing risk advice and investigating suspected financial irregularities. He invited the Committee to approve the plan.

The Divisional Director – Risk Areas said that there 10 or 11 areas that would be the subject of joint reviews by the Audit Partnership.

**RESOLVED** to approve the Internal Audit Plan for 2016/16.

## **50 ANNUAL GOVERNANCE REVIEW UPDATE**

The Group Manager (Audit and Risk) presented the report. He said that the Council was required to issue an Annual Governance Statement to accompany the publication of the accounts. The methodology used to identify significant risks for 2014/2015 was a tried and tested one, which had been used for the past four years. The process was illustrated in Appendix 1. Future key milestones in the process were set out in paragraph 4.19 of the report.

**RESOLVED** to note the progress of the Annual Governance Review.

## **51 ANNUAL REPORT OF AUDIT COMMITTEE**

The Divisional Director – Audit and Risk presented the report. He suggested that though the report was to go to Council in September, it would be best, in view of the coming elections, to prepare it now. He proposed that he and the Chairman would agree a draft, which would be circulated to Members for comment.

A Member suggested that the Audit Partnership with North Somerset should be listed as one of the achievements of the Committee.

The Chair thanked Members and officers for their work in support of the Committee.

**RESOLVED** to delegate to the Chairman and the Chairman of the Committee and the Chief Internal Auditor to prepare an annual report for submission to the Council in September.

The meeting ended at 6.50 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

