

Minutes of a meeting of the Audit Committee held on 28th November 2013 at Pippbrook, Dorking from 7.15pm to 8.22pm

Present: Councillors Iain Murdoch (Chairman), Mary Cooper, Clare Curran and David Preedy.

17. Minutes

RESOLVED: That the minutes of the meeting of the Committee held on 26th September 2013 be approved as a correct record and signed by the Chairman.

18. Apologies for Absence

Apologies for absence were received from Councillors Lynne Brooks, Stella Brooks and Corinna Osborne-Patterson.

19. 2012/13 Annual Audit Letter (ToR 2,3,4,5)

The Committee considered the report as set out on pages 3 to 4, together with the Annual Audit Letter as set on pages 5 - 18 of the previously circulated agenda.

The Committee received a short presentation from Mr Jamie Bewick of Grant Thornton, Chartered Accountants. Mr Bewick highlighted the three main work themes as (a) audit of the accounts, (b) value for money and (c) certification of grant claims and returns.

The Committee noted that the auditors conclusion confirmed that the accounts gave a true and fair view of the Council's financial position and of the income and expenditure recorded for the year. The Auditors were also satisfied that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013. Consequently, the Auditor has issued an unqualified Value for Money conclusion on 30 September 2013. Finally, the Auditors had also concluded that claims submitted by the Council in relation to its NNDR3 return and Housing and Council tax benefit claim, both had been completed to a good standard.

The Chairman, on behalf of the Committee, thanked Mr Bewick for his presentation.

The Committee noted that the audit fee on page 17 of the agenda was still to be confirmed by the Audit Commission. The Committee therefore requested that a note to this effect be included when the Audit Letter was published on the Council's website and updated at the appropriate time.

RESOLVED: that the contents of the 2012/13 Annual Audit Letter be published on the Council's website.

20. Internal Audit Progress Report November 2013 (ToR 6,7,8)

The Committee considered the report as set out on pages 19 to 29 of the previously circulated agenda.

The Committee received a presentation from Ms Karen Williams of Baker Tilly. The Committee noted the key findings and agreed actions as detailed in the report. With reference to Journal Testing, the Committee noted that work was underway to formalise a plan which could include both technical and manual checks. Work on this was due to be completed by March 2014.

With reference to the planning audit, the Committee made two points as follows (a) that provision is made to ensure revised drawings, or key technical issues are flagged up on case files where appropriate to ensure nothing is overlooked and (b) consideration should be given to key performance indicators, building on headline finding (j) as set out on page 26 of the previously circulated report. The Committee noted that an Executive working group had been established to consider the recommendations of the planning peer review undertaken in the Summer and felt that it would be helpful if these two points could be picked up as part of this work.

RESOLVED: That progress against the 2012/13 Internal Audit Plan be noted and issues raised in connection with the audit of planning be addressed as part of the work due to be undertaken by the Planning Peer Review Working Group.

21. Risk Management Annual Report 2012-2013 (ToR10)

The Committee considered the report as set out on pages 30 to 41 of the previously circulated agenda. Jane Nottage, Policy and Performance Manager, explained that the report provided an update on the Council's progress in implementing and embedding risk management arrangements throughout the organisation.

During the presentation from the Policy and Performance Manager, the Committee noted that the Council had increased its risk maturity over the past few years and could now be defined as "Risk Managed". A summary of the key activities together with further developments were set out on page 33 of the previously circulated report.

The Committee were informed that an internal audit review of risk management would commence on 9th December 2013.

Members of the Committee were pleased to note that risk management was now a formal part of the culture of the organisation. However, it was felt that further work could be undertaken in relation to the identification of risks associated with specific projects and the inclusion of these in the corporate implications section of committee reports. Members also felt that the distinction between financial costs and risks associated with a particular project was worth defining.

The Policy and Performance Manager noted the comments put forward by Members of the Committee, adding that a review of project management would be undertaken in 2014. These comments could be included as part of that review.

Furthermore, the Chairman agreed to relay the comments of the Committee in relation to the inclusion of risk in committee reports to the next Executive meeting on 17th December.

The Committee also indicated that it would be useful for all Councillors to be aware of the Council's approach to risk management and asked that a copy of this report be uploaded onto the Members' extranet site for information.

RESOLVED: That

- (1) the report be noted;
- (2) the Committee is satisfied with the risk management arrangements;
- (3) a copy of the risk management annual audit report 2012-2013 be uploaded onto MOSS for all Councillors' information; and
- (4) the Chairman of the Committee attend the next Executive meeting on 17th December to relay the Audit Committee's observations in relation to the consideration of risk management and its inclusion in the corporate implication sections of committee reports where appropriate.

22. Code of Corporate Governance (ToR 2,3,4,5)

The Committee considered the report as set out on pages 42 to 55 of the previously circulated agenda which provided an update on the Council's Code of Corporate Governance and suggested a framework to enable the scoring of compliance levels to be used in the annual governance review in line with the assurance levels applied in the Risk Management Assurance Framework. The report also set out actions between now and June 2014 when the Annual Governance Statement would be published and provided an update on progress made against the areas of focus as identified in the 2013 Annual Governance Statement.

The Committee noted the six principles as set out in Appendix B. With reference to Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk, the Committee highlighted the importance of (h) which states "Ensure risk management is embedded into the culture of the authority, with Members and Managers at all levels recognising that risk management is part of their jobs". The Committee also highlighted Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles". The Committee felt that this was a fundamental principle that flowed through all six as set out in the Code of Corporate Governance.

RESOLVED: That the updated Code of Corporate Governance and the Committee's satisfaction with its direction be noted.

23. Treasury Management – Mid Year Monitoring Report – 2013/2014 (ToR 9)

The Committee considered a report, on pages 56 to 70 of the agenda, that outlined the performance of the Treasury Management function of the Council for the six months ending 30th September 2013.

This report provided an update on the current economic conditions affecting Treasury Management decision making and looked ahead to future reporting requirements.

With reference to Table 4.3 as set out on page 62 of the previously circulated agenda, the Committee noted that capital expenditure had been funded from capital reserves of which capital receipts form a significant part. For future reference, the term "capital reserves" would be used in the table and this encompasses capital receipts, government grants and other grants and contributions.

The Committee noted that a significant part of the capital programme had slipped from 2012/13 to 2013/14 and this would be fully funded from capital reserves in the year.

RESOLVED: That the Treasury Management Mid Year Monitoring Report for the period ended 30th September 2013 be received and noted.

RECOMMENDED TO COUNCIL: that the Treasury Management Mid Year Monitoring Report 2013-2014 be commended.

24. Treasury Management Strategy Report 2014/15 to 2016/17 (ToR 9)

The Committee considered a report, on pages 71 to 103 of the agenda, that set out the Council's prudential indicators for 2014/15 to 2016/17, together with the expected treasury operations for this period.

During consideration of this item, the Committee commented on Prudential Indicator 8 – Interest Rate Exposures and sought clarification on whether the % figures indicated on page 89 of the report reflected the right balance. The Senior Accountant explained that these were based on "cap and collar" investments, ie fixed and then reverting to variable interest rates. 35% represented the upper limit on variable interest rate loans the Council could go up to; at the moment, the Council was operating at 8%. Following this clarification the Committee went on to

RECOMMENDED TO COUNCIL: that

- (1) the capital expenditure Prudential Indicators and Limits for 2014/15 to 2016/17 be approved.**
- (2) the Minimum Reserve Position (MRP) Statement that sets out the Council's policy on MRP be approved.**
- (3) the Treasury Management Strategy 2014/15 to 2016/17 and the treasury Prudential Indicators be approved.**
- (4) The Investment Strategy 2014/15 contained in the Treasury Management Strategy and the detailed criteria be approved.**