

AUDIT COMMITTEE

11 March 2014

Attendance:

Councillors:

Banister (Chairman) (P)

Berry J (P)
Byrnes (P)
Cutler (P)
Mather (P)

Power (P)
Stallard (P)
Verney
Weir (P)

Others in attendance:

Councillor Godfrey - Portfolio Holder for Finance and Organisational Development.

Others in attendance that did not speak:

Councillor Humby

1. **DISCLOSURE OF INTERESTS**

Councillors Stallard and Mather both declared a disclosable pecuniary interest in respect of agenda items AUD81 and AUD82 due to their roles as County Councillors. However, as there was no material conflict of interest, they remained in the room, spoke and voted under the dispensation granted on behalf of the Standards Committee to participate and vote in all matters which might have a County Council involvement.

2. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 3 December 2013 be approved and adopted.

3. **PUBLIC PARTICIPATION**

There were no questions asked or statements made.

4. **INTERNAL AUDIT PROGRESS REPORT**
(Report AUD80 refers)

The Chairman welcomed to the meeting Mr Harvey from the Southern Internal Audit Partnership who presented this item.

In reply to questions, Mr Harvey explained that the National Fraud Initiative was an annual piece of work that rolled from year to year and as such it had no start or end date.

The Chief Executive added that the Joint Environmental Services Contract was monitored by the Joint Environmental Services Committee and also a parallel Scrutiny Committee. These bodies would address under-performance issues, including items raised by the Audit Team.

RESOLVED:

That the Internal Audit Progress Report (31 January 2014), attached as an Appendix to the report, be noted.

5. **INTERNAL AUDIT CHARTER 2014/15**
(Report AUD81 refers)

Mr Harvey from the Southern Internal Audit Partnership presented this item.

Mr Harvey highlighted that a change from the previous Charter was that reports would now be submitted to the Council's Internal Performance Management Team and Corporate Governance Group as required.

RESOLVED:

That the Internal Audit Charter 2014/15, attached as an Appendix to the report, be approved.

6. **INTERNAL AUDIT PLAN 2014 - 2015**
(Report AUD82 Refers)

Mr Harvey from the Southern Internal Audit Partnership presented this item.

In reply to questions, the Chief Executive explained that for the most part the Audit Plans focussed on systems and processes that supported the Council's work, including Portfolio Holder Plans.

Mr Harvey added that risks were reviewed annually, including establishing whether low risks might have become higher risks over the period, which might require the Audit Plan to be reprioritised. The Chief Finance Officer added that it was recognised that some low priority and low materiality areas may have a higher propensity for fraud and the Council was proactive in selecting these areas for study.

RESOLVED:

That the revised Internal Audit Plan for 2014 – 2015 be approved.

7. **CERTIFICATION OF CLAIMS AND RETURNS 2012/13 – ANNUAL REPORT**
(Report AUD83 refers)

The Chairman welcomed to the meeting Mrs Handy and Mr Bowers from Ernst and Young, the Council's External auditors.

Mr Bowers stated that a copy of Ernst and Young's Local Government Audit Committee Briefing was available for Members at the meeting and would be placed on the Council's website.

RESOLVED:

1. That the Certification of Claims and returns 2012/13 – Annual Report be noted.

8. **ANNUAL GOVERNANCE STATEMENT AND CORPORATE RISK MONITORING UPDATE**
(Report AUD078 refers)

In reply questions, the Chief Executive stated that it was too early to include Station Approach within the Risk Register as this project was still at early discussion stage.

With regard to partnership agreements, reference was made to the Museum's Service Cultural Trust and it was explained that this body would report to a Shadow Trust Board, upon which Councillor Southgate was the City Council's representative. The Shadow Trust Board would have milestones and a requirement to report back to the Council.

The Chief Executive added that there was high level management capacity to focus on strategic outcomes such as the River Park Leisure Centre, but this work needed to be focused so that the best use was made of resources.

The Chief Finance Officer stated that the reduced fees for external audit work had resulted in additional work for internal finance officers. This work had been absorbed by the team and the process for last year had gone well, but that improving practices was a continuous process. Wider challenges remained, such as dealing with changes to business rates and to deal with the accounting implications of different delivery models, for example partnership working. Mrs Handy supported the comments of the Chief Finance Officer and added that the Ernst and Young would work with the City Council to respond to issues raised.

Council Godfrey explained that there was uncertainty regarding changes to Business Rates. Therefore, an allowance had been made for significant variations to cover successful appeals, which amounted to circa 1.25% for all variations. In addition £1m in reserves had been earmarked over two years to allow for fluctuations. In this way the risk was being managed.

The Chief Executive stated that although the Corporate Risk Register operated at a high level, beneath this was various sub streams that had more specific targets, for example the one relating to Silver Hill. There was value in having a risk register as it showed that a situation was not deteriorating, but there was a challenge to quantifying risks in a meaningful way to demonstrate that improvements were being made.

RESOLVED:

That no matters be raised with the relevant Portfolio Holder and no items of significance be drawn to the attention of Cabinet.

9. **STATEMENT OF ACCOUNTS 2013/14**
(Report AUD85 refers)

RESOLVED:

That the proposed changes to the Statement of Accounts for 2013/14 be noted.

10. **TREASURY MANAGEMENT PRACTICES**
(Report AUD84 refers)

The above Report had not been notified for inclusion on the agenda within the statutory deadline. The Chairman agreed to accept the item onto the agenda, as a matter requiring urgent consideration, due to the need to receive the Treasury Management Practices.

In response to a suggestion by a Member of the Committee, the Chief Finance Officer agreed to include within the Practices cross references to other Council policies, for example those relating to the periods required for documentation retention.

RESOLVED:

That the Treasury Management Practices, which support the delivery of the Treasury Management Strategy for 2014/15, be approved prior to these being adopted and published by the Chief Finance Officer.

11. **THANKS TO THE CHAIRMAN**

This being the last meeting of the Municipal Year, the Committee passed a vote of thanks to its Chairman, Councillor Banister.

The meeting commenced at 6.30pm and concluded at 7.25pm

Chairman