

Minutes of a meeting of the Audit Committee held on 09 March 2017 at Pippbrook, Dorking from 7.00pm to 9.15pm

Present: Councillors Paul Kennedy (Chairman), Simon Ling (Vice-Chairman), Tim Ashton, Simon Edge, Paul Elderton, James Friend and Paul Newman.

30. Minutes

The minutes of the meeting of the Committee held on 24 November 2016 were approved as a correct record and signed by the Chairman.

31. Apologies for Absence

None.

32. Disclosure of Interests

None.

At this point the Chairman advised the Committee that the order of the items published on the agenda be changed so that Item 9- Corporate Governance Report be considered immediately after Item 6- Internal Audit Strategy 2017/18.

33. Statement of Accounts 2016/17 (Item 4)

The Committee received the report as set out on pages 4 to 33 of the agenda which asked it to note the contents of the External Auditor's, Grant Thornton, update on the Statement of Accounts 2016/17 and the certification of housing benefit subsidy claims for 2015/16.

Two representatives from Grant Thornton were in attendance at the meeting to present the report and respond to any queries. The report contained three elements; the Audit plan for the year, the progress update for the Committee and the final certification of claims and returns submitted by the Council. The paper also included a summary of emerging issues and developments that were thought to be relevant to the Council.

The Committee received a copy of the progress update for the year ending March 2017, which provided the Committee with a report on Grant Thornton's progress in delivering its responsibilities, as well as a summary of emerging National issues and developments which might be relevant to the Council.

Members of the Committee were generally content with the findings of the report as no alarming issues were identified. They noted the various difficulties that were experienced because of IT problems, but that these issues, especially due to the size of the files, were being resolved with the IT department.

The Committee also received, as part of the report, the certification of work for the year ended 31 March 2016. The attention of Members was drawn to page 33 of the report which set out the Action Plan for the Housing Benefit subsidy scheme. It was noted that following a review of the errors that were identified during the 2015/16 certification testing, refresher training on these specific areas identified would be implemented. Members welcomed the training but were concerned about the timetable for implementation. The Financial Services Manager undertook to explore the issue further with the manager of the Benefits Team and update the Committee.

RESOLVED: The Committee noted Grant Thornton's Plan and Progress Update on the delivery of their responsibilities as the Council's external auditor.

34. Internal Audit Progress Report- 2016/17 (Item 5)

The Committee received the report as set out on pages 35 to 55 of the agenda which asked it to note the progress against the 2016/17 Audit Plan as detailed in the attached appendix to the agenda.

A representative from RSM was in attendance at the meeting to introduce the report, advising that four reports had been finalised since the previous report to the Audit Committee in November 2016, and of the 'traffic light' opinions delivered by RSM UK, two were Green and two were Amber/Green. The reports in question were, Cyber Security, Debtors, Business Continuity and Revenues. The Committee discussed the contents of each report and a number of questions were asked for clarification.

Concerns were expressed about the approach undertaken by the Council to manage cyber security and some of the findings of the review, especially in light of the issues experienced by some other Local Authorities.

Members also made general observations on the content of page 41 of the report, titled 'Looking Ahead', in that some information reported was incorrect in terms of timings, and asked that these be amended for the future.

RESOLVED: That the progress against the 2016/17 Audit Plan be noted.

35. Internal Audit Strategy 2017/18 (Item 6)

The Committee received the report as set out on pages 56 to 59 of the agenda together with the full Internal Audit Plan 2017-2018 by RSM. An addendum was also tabled at the beginning of the meeting detailing the amended recommendation for this report. The amended recommendation asked the Audit Committee to approve the Internal Audit Plan and Charter for 2017/18, subject to the inclusion of the amendments proposed by the Council's Senior Management Team and any further amendments proposed and agreed by the Committee.

A representative from RSM was in attendance at the meeting to present the proposed work plan and respond to any queries. It was noted that the new Plan set out the proposed Audit Work Plan for 2017/18 and the broad areas of assurance over the next three years. It was also noted that two of the listed reviews (HR Management and Management of Joint Ventures) were timetabled for later in the year for reasons explained in the report.

Members questioned the lack of Key Performance Indicators (KPIs) reported and the absence of Risk Assessments which would enable the Committee to make an informed decision. The Committee agreed partial approval of the plan for the projects that are scheduled in the first quarter of the year (April to June). For the remainder of the year, a more detailed and updated plan with appendices incorporating the further information requested by Members of the Committee, should be presented at the next meeting for a formal approval.

RESOLVED: The Committee agreed partial approval of the plan and asked for an updated plan to be considered at the June meeting for formal approval.

36. Corporate Governance- Progress Report (Item 9)

The Committee received the report as set out on pages 102 to 107 of the agenda, which asked it to note the progress made against the action plan in the 2016 Annual Governance Statement, to note the developments that have taken place since the 2016 Annual Governance Statement was published, leading to the introduction of additional governance arrangements and finally make observations or recommendations to the Executive, as appropriate.

MVDC's Senior Performance and Policy Officer was present and gave an overview of the contents of the report. Members received an update on progress made against the areas of focus identified in the 2016 Annual Governance statement action plan. It was explained that new governance arrangements have been put into place, in response to an increase in partnership working through shared services and also the set up of arms length arrangements to enable MVDC to implement its new Asset Investment Strategy. These new arrangements will be incorporated in the 2017 Annual Governance Statement.

Members made general observations on the content of the report and suggested that a visual representation showing the accountabilities of the new governance arrangements would be helpful. They also asked that the 2017 Annual Governance Statement include more information with regards to the role of internal and external audit.

RESOLVED: The Committee noted the progress made against the areas of focus identified in the 2016 Annual Governance Statement, and the additional governance arrangements developed since the publication of the 2016 Annual Governance Statement.

37. Treasury Management Strategy 2017/18 to 2019/2020 (Item 7)

The Committee received the report as set out on pages 60 to 90 of the agenda. Members were asked to endorse the decision made by Council, which has provisionally approved the report at its meeting on 21st February 2017, subject to the S151 Officer, in consultation with the Chairmen of the Council and the Chairman of the Audit Committee, making any final amendments following consideration by the Audit Committee.

It was explained that the Treasury Management Strategy set out the appropriate indicators, authorities and limits, within the Prudential Code, to enable the Council to borrow to fund its approved capital programme. The Code required that these indicators be set and approved before the start of the financial year.

The Committee was particularly asked to consider the Prudential Indicators, set out in Appendices A and B of the Council report attached to the agenda. Members considered the Prudential Indicators in detail and suggested amendments in the following areas:-

- a definition of the term "unsupported borrowing" was required;
- there was a need to include a clearer explanation of the three year borrowing limit and the fact that, should the Council invest substantially in Year 1, then the limits in Years 2 and 3 would be reduced;
- Some further detail was required on the content of the 2017/18 capital expenditure projection.

No amendments were required to the actual Prudential Indicators.

The Financial Services Manager undertook to make these minor amendments to the report and to present an amended version to the s151 Officer, the Chairman of the Council and the Chairman of Audit Committee for approval.

Members generally endorsed the decision made by Council, however, it was stressed that the Audit Committee ought to consider this report before Council in the future.

RESOLVED: The Committee endorsed the decisions made by Council on the Treasury Management Strategy 2017/18 to 2019/20, subject to the above amendments.

38. Risk Management Annual Report- 2016/17 (Item 8)

The Committee received the report as set out on pages 91 to 101 of the agenda, which asked it to consider its contents and confirm that it was satisfied with the Council's risk management arrangements, and to make observations or recommendations to the Executive if appropriate.

The Policy and Performance Manager explained to the Committee that the report provided an update on the Council's progress in implementing and embedding risk management arrangements throughout the organisation to ensure that the priorities contained in the Corporate Strategy were met.

Members of the Committee thanked the Policy and Performance Manager and colleagues for holding a seminar on Risk Management prior to the Committee meeting. It was felt that the seminar provided an opportunity for Members to seek clarification and to ask further questions about the subject. As a result of the seminar, a number of points were raised. It was argued that although the arrangements detailed in the report were robust, these could be further enhanced by consideration of comments made at the seminar. As such, a motion was proposed to defer this item to a future meeting to allow Officers reasonable time to analyse and consider incorporation of the points discussed at the seminar to the final Risk Management Annual Report. The motion was carried.

RESOLVED: The Committee agreed to defer the consideration of this agenda item to a future meeting for the reasons explained above.

39. Draft Statement of Accounting Policies 2016/17 (Item 10)

The Committee received the report as set out on pages 108 to 126 of the agenda. An Addendum detailing an amendment to the recommendation was also tabled at the beginning of the meeting. The revised recommendation asked the Audit Committee to approve the draft Statement of Accounting policies 2016/17 as set out in the previously circulated agenda, subject to any changes agreed by the Section 151 Officer that may arise between the distribution of the report and the final Statement of Accounts 2016/17.

The Financial Services Manager briefly went through the report and the attention of Members was particularly drawn to new and amended policies. Members made general observations on the content of the report and asked that future reports include explanations of any technical terminology and acronyms used to make the report clearer and simpler to read.

RESOLVED: The Committee noted the draft Statement of Accounting Policies 2016/17, with the view of approving the actual Statement at a future meeting.

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Chairman

Date: