

Minutes of a meeting of the Audit Committee held on 17th March 2016 at Pippbrook, Dorking from 7.00pm to 8.47pm

Present: Councillors Stella Brooks (Chairman), Simon Ling (Vice-Chairman), Tim Ashton, Duncan Irvine, Paul Newman

25. Minutes

The minutes of the meeting of the Committee held on 26 September 2015 were approved as a correct record and signed by the Chairman.

26. Apologies for Absence

Apologies for absence were received from Councillor Emile Aboud and Councillor Paul Elderton.

27. Disclosure of Interests

None.

28. Internal Audit Strategy 2016/17

The Committee received the report as set out on pages 5 to 24 of the agenda which asked it to note the proposed work plan and recommend amendments as appropriate.

Karen Williams from RSM was in attendance at the meeting to present the proposed work plan and respond to any queries. The attention of Members was particularly drawn to Section 2.2 of the Appendix, which outlined some of the key areas of focus for the coming year including IT cyber security, business continuity, income maximisation and asset management. The Committee were asked in their consideration of the plan to refer to the checklist on page 13 of the Appendix.

Members asked whether there were any areas which ought to have been included in the work plan but had been omitted, either due to lack of time, resource or other constraints. The Auditor reassured Members that all relevant areas of concern had been covered by the proposed plan, and these were consistent with the proposed areas of review previously considered by the Council's Senior Management Team.

Members asked whether in light of Mole Valley's potential moves towards borrowing if there was anything in particular which the Audit Committee needed to monitor during the coming year. It was suggested by the Auditor that other local authority clients of RSM regularly have the opportunity to see and keep under review the risk registers which inform their own internal audit strategy, and it might therefore be beneficial for these to be made available to Mole Valley's Audit Committee. Members welcomed this suggestion.

RESOLVED: The Committee noted the proposed work plan.

29. External Audit Progress on 2015/16 Accounts

The Committee received the report as set out on pages 25 to 70 of the agenda which asked it to note Grant Thornton's Plan and Progress Update for the year on the delivery of their responsibilities as the Council's external auditor.

Iain Murray and Trevor Greenlee from Grant Thornton were present 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 attention of Members was drawn to page 31 of the report which set out the challenges and opportunities identified in drawing the plan together. The main areas of focus were continuing financial pressures, the capital and investment decisions that the Council was currently contemplating, and the Council's aspirations for economic development within the District. Attention was also drawn to page 32 of the report, which covered the key legislative development that now requires the Council to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year. Grant Thornton were assisting Mole Valley officers to ensure a smooth transition to this new regulatory timetable, and a dry-run was being planned to test its effectiveness in advance of the transition. Finally, Members noted the risks outlined on pages 35 to 38 of the report. Members suggested that it would be useful for this section of the report to contain a scoring mechanism whereby the likelihood of a particular risk occurring and the severity of the consequences if it did occur could be objectively understood.

The Committee secondly received a copy of the progress update for the year ended March 2016, 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 were particularly encouraged to note the section on Audit Committee effectiveness, and to use the attached checklist as guiding principles.

The third and final document received by the Committee as part of the report was the certification of work for the year ended 31 March 2015. Grant Thornton had certified one return for the financial year 2014/15, which was the Housing Benefit Subsidy return, relating to expenditure of £21.1 million. Members were advised that a small number of individual errors had been identified in respect of claimants' Housing Benefits calculations, which led to a significant increase in the level of additional testing required in comparison to previous years. Trevor Greenlee explained to the committee however that the overall significance of these errors was minimal in terms of value, with no impact on the amount of subsidy the Council receives from DWP. The Committee were reassured that no particular patterns were identified in relation to the errors, and going forward such errors could probably be eradicated by improved supervision of staff and ensuring that any training needs were being addressed.

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

30. Treasury Management Strategy Report 2016/17 to 2018/19

The Committee received the report as set out on pages 71 to 113 of the agenda, which asked it to either endorse the decisions taken at the Council meeting on 23 February 2016, or suggest any final amendments for the Section 151 Officer in consultation with the Chairman of the Council and the Chairman of the Audit Committee.

This statutory report principally dealt with prudential indicators, minimum revenue provision, the Council's treasury management strategy and the Council's financial investment strategy. A summary of the 10 prudential indicators was provided to Members on pages 76-77 of the report.

Members asked a range of questions regarding the processes involved in acquiring local authority loans and the extent to which the Council was able to monitor variations in the terms and rates offered for borrowing. The Senior Accountant advised that rates from the Public Works Loan Board (PWLB) are available on a daily basis and a weekly schedule of rates is provided by the Council's treasury management advisor.

The Committee asked for confirmation of the likely timeframe for any proposed borrowing, and whether in the event that the borrowing strategy changed at any time

it would be brought back to the Audit Committee for consideration. The Deputy Chief Executive referred Members to recommendation B within the report, which stated the intention of the Administration to bring forward policies for consideration in June, covering both property investments which have a community value, and those which could be made purely for financial reasons. No borrowing was envisaged until a formal framework/policy was in place and had been agreed by the Council. Reassurance was given that the Audit Committee would be appropriately consulted as and when relevant.

Members also asked for reassurance, in view of the fact that the Council was potentially moving from a debt free position into new territory as a borrowing authority, that officers had the necessary expertise to properly manage any transitional arrangements. The Senior Accountant assured the Committee that the Council has the benefit of support from treasury management advisors who were well-versed in terms of borrowing as well as investments.

RESOLVED: The Committee endorsed the decisions taken by Council at its meeting in February 2016, and noted the Administration's intention to bring forward a policy/policies in June to control the Council's borrowing under the Prudential Indicators with regards to potential property investments within a formal policy framework.

31. Risk Management Annual Report

The Committee received the report as set out on pages 113 to 122 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 the first update to Members on the risk management policy revised in 2015, and the Council's progress in implementing the changes. It was also reported that the Council's risk management arrangements had received a 'green' assessment from the annual internal and external audits carried out during the year.

The attention of members was drawn to pages 115 to 116 of the report which provided a summary of key activities during the year and outlined where changes had been made to the Council's risk profile. The risk profile is regularly kept under review to ensure its relevance to the Council's corporate priorities, and this year welfare reform and general IT risk had been removed from the strategic risk register as the risks in both areas were considered to be under appropriate management at service level. The Pippbrook refurbishment project had been added to the risk register to ensure the potential for disruption to Council services and employees was effectively risk managed.

Members asked, in view of the current focus on property projects, whether detailed project plans are shared amongst elected Members to better inform them as to the nature of the work being carried out. The Deputy Chief Executive explained that at any one time there could be around one hundred different projects ongoing within the organisation, some of which would be small and others of significant scale and involving substantial resources. Consequently, project plans were likely to be brought to the attention of Members where they involved greater levels of scale and significance, rather than all projects within the organisation.

Members also asked how frequently individual service risk registers were kept under review. It was explained that service risk registers are updated as and when appropriate by individual service managers, so that as soon as a new risk is identified, it is added to the register. These risk registers are checked on a quarterly basis by the Policy & Performance team. The strategic risk registers meanwhile were received every month by Corporate Board, and jointly reviewed between Corporate Service Heads and the Policy and Performance Manager.

RESOLVED: The Committee confirmed that it was satisfied with the Council's risk management arrangements.

32. Corporate Governance Annual Report

The Committee received the report as set out on pages 123 to 127 of the agenda, which asked it to confirm that it was satisfied with the Corporate Governance arrangements, to note the progress made against areas of focus identified in the 2015 Annual Governance Statement, and make observations or recommendations to the Executive if appropriate.

The report provided Members with a summary of key activities occurring during 2015/16, and outlined which areas of the Annual Governance Statement 2015 were completed or still in progress. Members were advised that the 2016 Annual Governance statement would be presented to the Committee at its next meeting in June 2016.

RESOLVED: The Committee confirmed it was satisfied with the Council's Corporate Governance arrangements and noted the progress made against the areas of focus identified in the 2015 Annual Governance Statement.

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Chairman

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