

## **Minutes of a meeting of the Audit Committee held on 12<sup>th</sup> March 2015 at Pippbrook, Dorking from 7.00pm to 8.42pm**

Present: Councillors Stella Brooks (Chairman), Emile Aboud, Tim Ashton, Mary Cooper, Roger Hurst (Vice Chairman) and David Preedy.

### **21. Minutes**

The minutes of the meeting of the Committee held on 27<sup>th</sup> November 2014 were approved as a correct record and signed by the Chairman.

The Committee noted that the Fraud Risk Assessment being undertaken by ITS was close to completion and would be reported to a future meeting. There would also be further discussions with Grant Thornton ahead of the next meeting of the Committee regarding the sharing of best practice between Audit Committees from around Surrey.

### **22. Apologies for Absence**

An apology for absence was received from Councillor Lynne Brooks.

### **23. Disclosure of Interests**

None declared.

### **24. Treasury Management Strategy Report 2015/16 to 2017/18**

The Committee received a presentation from Richard Dunlop, Treasury Management Advisor for Mole Valley from Capita Asset Services. Mr. Dunlop ran through a number of key issues with the Committee regarding Mole Valley's treasury management arrangements, including background information such as GDP growth, the Eurozone economy, UK inflation, interest rate forecasts and stress tests. The Committee were also informed of the state of the Council's current investments, and the returns that they could expect to see.

Members asked Mr. Dunlop a number of questions relating to the presentation. The general assessment following the presentation and a number of queries was that the future financial situation of the UK economy (i.e. inflation) was difficult to predict at present, partly due to the General Election on 7<sup>th</sup> May, but that monitoring by Capita and the Council's Officers would continue.

The Committee went on to consider the Treasury Management Strategy Report 2015/16 to 2017/18, as set out on pages 7 to 41 of the agenda, which had already been considered and approved by full Council on 10<sup>th</sup> March 2015, subject to any comments received from the Audit Committee.

Members raised some queries regarding operational boundaries and authorised limits for debt, which were resolved by Officers. Members noted that authorised limits were statutory and could not be breached.

**RESOLVED:** The Committee noted

1. the capital expenditure Prudential Indicators and Limits for 2015/16 to 2017/18;
2. the Minimum Revenue Provision (MRP) Statement that set out the Council's policy on MRP;
3. the Treasury Management Strategy 2015/16 to 2017/18 and the treasury Prudential Indicators; and
4. the investment strategy 2015/16 contained in the Treasury Management Strategy and detailed criteria.

## **25. Internal Audit Progress Report: March 2015**

The Committee received the report as set out on pages 42 to 53 of the agenda which asked Members to note the progress against the 2014/15 Audit Plan and approve the Audit recommendation that the performance of the procurement function should be annually reported to the Audit Committee, and that this should form part of the forward plan.

Ms. Karen Williams from Baker Tilly was in attendance at the meeting to answer any queries from Members; all recommendations within the report had been accepted for implementation in 2015. Members asked for clarification on a number of issues, including the postponement of the review of Individual Electoral Registration (IER) and Member consideration of risk management at Scrutiny Committee during scheduled service reviews.

**RESOLVED:** The Committee noted the progress against the 2014/15 Audit Plan as detailed in the Appendix, and approved the Audit recommendation that the performance of the Procurement function should be annually reported to the Audit Committee, and that this should form part of the forward plan.

## **26. Internal Audit Strategy 2015/16 to 2017/18**

The Committee received the report set out on pages 54 to 79 which asked it to note the proposed work plan and recommend any amendments as appropriate.

Members queried various aspects of the strategy, relating to the process for investment approval, some aspects of contract management and the processes in place for tracking planning enforcements.

Members were advised that Baker Tilly had recently undertaken a review of planning enforcement and had given a “green” opinion of the service; a report was being drafted that Members would be able to see when finalised. With regards to capital investment approval, it was agreed that this was something that could be monitored and worked into the strategy. Contract management was already partly governed by contract arrangements as set out in the Council’s constitution, but Baker Tilly could also examine specific areas of concern where this was called for.

**RESOLVED:** The Committee noted the propose work plan.

## **27. External Audit – Plan, Progress, Update and Certification Letter**

The Committee received a report set out on pages 80 to 115 that asked it to note Grant Thornton’s Plan and Progress Update for this year on the delivery of their responsibilities as the Council’s external auditor. Mr. Matthew Dean and Mr. Jamie Berwick from Grant Thornton were in attendance at the meeting to respond to any queries from Members.

The Committee were content with the plan and certification letter, subject to some minor amendments identified at the meeting.

**RESOLVED:** The Committee noted Grant Thornton’s Plan and Progress Update for this year on the delivery of their responsibilities as the Council’s external auditor.

## **28. Corporate Governance – Annual Review**

The Committee received a report set out on pages 116 to 120 which asked it to consider the contents and confirm they were satisfied with the corporate governance arrangements and to note the progress made against areas of focus identified in the 2014 Annual Governance Statement.

The Portfolio Holder, Councillor Simon Ling, introduced the report and asked Members to agree the contents; the Committee were content with the report and the progress made in key areas.

**RESOLVED:** The Committee confirmed they were satisfied with the corporate governance arrangements and noted the progress made against areas of focus identified in the 2014 Annual Governance Statement.

**29. Risk Management Annual Report 2014-15**

The Committee received a report set out on pages 121 to 159 of the agenda which asked it to (i) consider the content of the report and confirm they were satisfied with the risk management arrangements, and (ii) consider the updated Risk Management Policy and the proposed risk tolerance level, make appropriate observations and recommend the Policy and risk tolerance level to the Executive for approval.

The Portfolio Holder, Councillor Simon Ling, introduced the report and asked for the Committee's comments before approval by the Executive on 31<sup>st</sup> March.

The Committee commended the annual report and policy, but suggested that Member exposure to risk management issues be increased and updated on a more regular basis, perhaps through inclusion on the monthly monitoring reports that were considered by the Executive. Officers agreed to look into reporting on risk in this way, and explained that each project undertaken by the Council had its own risk register which was regularly updated as the project progressed. Strategic risks were examined on a monthly basis by senior management.

With regards to the policy, Members felt that catastrophic risks should continue to be monitored closely, and that different ways of identifying risks should be explored, i.e. appointment of an individual who was not directly involved in a project and therefore removed from the process in a role that could identify risks that had not yet been considered. The culture of risk management should be encouraged across the organisation, for both Members and staff alike.

Officers confirmed that the risk tolerance level in the current policy was set at an acceptable level; controls and a rigorous action plan was in place in order to keep this under review as and when it was needed. Each business manager within the organisation had a risk register for their service area; these were also regularly updated and reviewed in monthly meetings.

The work on health and safety risks had also been improved dramatically, and a new staff member had been employed to look after health and safety at Mole Valley at a more detailed level.

**RESOLVED:** The Committee

- (i) considered the content of the report and confirmed they were satisfied with the risk management arrangements; and
- (ii) considered the updated Risk Management Policy and the proposed risk tolerance level and recommended the Policy and risk tolerance level to the Executive for approval.

Chairman.....

Date: .....