

Audit Committee Minutes

Date: 21 November 2013

Time: 7.00 - 7.59 pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors J L Richards OBE, P R Turner, D M Watson, I Bates and R Farmer

Also present: Mrs C Smith, Mr M West (Ernst & Young LLP)

26 MINUTES

RESOLVED: That the minutes of the meeting held on 19 September 2013 be approved as a true record and signed by the Chairman.

27 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Wilson and Councillor A D Collingwood.

28 DECLARATIONS OF INTEREST

Councillor J L Richards declared an interest in minute 32 by virtue of his position as a Trustee of Red Kite Community Housing.

29 UPDATE ON THE DEVELOPMENT OF THE STRATEGIC RISK REGISTER

The Audit, Risk and Fraud Manager updated the Committee on work to produce a strategic risk register to identify and manage the most significant risks which could affect or impact upon the delivery of the Council's objectives. The Committee heard that the register is based around 12 core themes and has been compiled in direct consultation with senior management. Risk owners are to be senior officers within the Council, and it is proposed that the register will be reported quarterly to the Audit Committee and twice yearly to Cabinet, with exception reporting as needed.

In response to questions from members as to whether future versions of the register will include a matrix scoring system and a 'traffic light' rating to highlight the most serious risks it was confirmed that this would be the case. The Audit, Risk and Fraud Manager also undertook to include clarification of the abbreviations used.

RESOLVED: That the progress in developing a strategic risk register be noted.

30 ANNUAL AUDIT LETTER

The Committee received the Annual Audit Letter, summarising the work and findings of the external auditors over the year. It was noted that much of the information it contained had been previously reported to the Committee as part of the Annual Governance Report, which had been received by the Committee at its meeting on 19 September.

The Committee heard that there were no significant issues to report: one weakness had been identified in relation to key control account reconciliations as part of the audit of the financial statements. However, this was being addressed through monthly reports to the Head of Finance and Commercial Services and improved monitoring processes, which had been reported to the Committee on 19 September.

RESOLVED: That the Annual Audit Letter be noted.

31 AUDIT, RISK & FRAUD MANAGER'S HALF YEARLY REPORT

The Audit, Risk and Fraud Manager presented his progress report for the first six months of the financial year, outlining delivery against the programme which had been agreed by the Committee in March 2013 and progress over the first half of the year.

In relation to Internal Audit it was noted that two reviews had been completed and five are currently in progress. The audit of the Rent Deposit Scheme had identified a number of recommendations, and progress will be reported to a future meeting. The second audit review on VAT provided an Opinion of Strong Assurance. The number of audit reports issued in the first half of the year is down compared to the previous year: this is primarily due to the scheduling of a reduced audit programme and the timings of several core financial reviews.

In relation to visits and investigations, the Committee heard that a total of 489 visits were undertaken during the period. Work continues to be done in partnership – for example: joint investigations with the DWP and Chiltern District Council, and discussions with Red Kite Community Housing as regards potential joint working in relation to tenancy fraud and housing application fraud. In response to a question from a member as to how the Council publicises the issue of fraud the Audit, Risk and Fraud Manager reported that publicity is undertaken even though this can be relatively expensive. Initiatives include a dedicated hotline number for fraud reporting, poster displays, and a forthcoming fraud awareness tool for staff. In response to a point made by a member that anti-fraud publicity should be accompanied by information about welfare surgeries and sources of advice, the Audit, Risk and Fraud Manager advised that these are also publicised and that officers continue to support welfare surgeries and hostel visits.

In relation to the table shown on page 24 of the report showing the percentage of 'successful' cases against categories of alleged fraud, it was agreed that further

information was needed to explain the definition of 'successful' and the differences in 'success' percentages across the different categories.

RESOLVED: That the Audit, Risk and Fraud Manager's Half Yearly Report be noted.

32 RED KITE PERFORMANCE DELIVERY

The Committee received a report on Red Kite Performance Delivery, as requested at the last meeting. The report provided further detail in relation to delivery against the major promises agreed at transfer, focusing on the five major promises relating to improvement works. The Committee heard that Red Kite has appointed new contractors, and is confident that by June 2014 it will have exceeded its target for delivering the major repairs programme within the five year period.

The Committee heard that following a slow start Red Kite has completed a full stock condition survey and procurement programmes for the major works, and assurances had been received from Red Kite that work is now on track to fulfil the promises. The Committee also received confirmation from the Housing Services Manager that the refurbishments will exceed the Decent Homes standard.

In response to a question from a member as to whether Red Kite undertakes any prioritisation of works other than by geographical area, it was noted that Red Kite is bound by legal requirements in relation to safety (e.g. repairs of electrical faults). The Housing Services Manager undertook to find out from Red Kite what, if any, other prioritisation processes are undertaken.

The Committee also heard about the current position with regard to the two financial indemnities provided by the Council at transfer: the Preserved Right to Buy Indemnity and the VAT Indemnity in the event of a change to legislation removing the current VAT shelter.

RESOLVED: That the Red Kite Performance Delivery update be noted, and that an Information Sheet be circulated to members of the committee providing further information on major works prioritisation and a graphic showing the rate of progress and expected completion timescales.

33 TREASURY MANAGEMENT MID YEAR REPORT 2013/14

The Head of Finance and Commercial Services presented the Treasury Management Mid-Year report 2013/14 to the Committee.

The Committee heard that all treasury management activity undertaken during the period has complied with the approved strategy, the Cipfa Code of Practice and relevant legislative provisions; and all prudential indicators have been complied with.

In response to a question from a Member relating to former investments with Glitnir, it was noted that the position has not changed since March 2013 and that the Council's funds continue to be held in an escrow account in Iceland until legislative

changes by the Icelandic Government enable release. Interest is being received; however the balance continues to be subject to currency risk as the Icelandic Krone moves against Sterling. It was confirmed that an offer has previously been received to sell the Council's investment: however, this was declined on the basis that it would have resulted in a significant loss.

In relation to Investec performance and the unrealised capital loss arising from its position on UK 5 year gilts, the Committee questioned whether Investec's performance is scrutinised. The Head of Finance and Commercial Services reported that regular meetings are held with Investec and that the Council's treasury management advisers, Capita Consultancy Services, also has a role in reviewing performance. Investec expects gilt yields to fall back from the current level and the current unrealised loss to reduce.

RESOLVED: That the Treasury Management Mid-Year Report 2013/14 be noted.

34 HEALTH & SAFETY UPDATE

The Head of Finance and Commercial Services provided a verbal update on developments in relation to health and safety responsibilities. The Committee heard that the Council's Health & Safety Officer had left in August 2013, and a subsequent recruitment exercise to appoint a replacement had been unsuccessful. Discussions are currently being progressed with Buckinghamshire County Council to arrange a secondment from the County Council, which may lead to a shared arrangement in the future.

The Committee also heard about changes to management responsibilities in relation to health and safety, which is to move out of the remit of the Head of Finance and Commercial Services to become part of the remit of the Head of HR, ICT and Shared Support Services. Additionally, chairmanship of the Health & Safety Executive Group is to pass to the Corporate Director and its membership is also to be amended to comprise Heads of Service, which should raise its profile.

RESOLVED: That the health and safety update be noted.

35 AUDIT COMMITTEE WORK PROGRAMME

The Audit Committee Work Programme, as appended to the agenda, was reviewed by the Committee.

It was agreed that the further update on Red Kite Performance, requested by the Audit Committee at its meeting on 19 September 2013, should be circulated as an Information Sheet and could therefore be removed from the agenda for the next meeting.

RESOLVED: That subject to the above change the Audit Committee work programme as set out in the agenda be approved.

Chairman

The following officers were in attendance at the meeting:

- Brian Daly - Housing Services Manager
- Mike Howard - Audit, Risk and Fraud Manager
- Emma Lund - Democratic Services
- Steve Richardson - Head of Finance and Commercial