

Audit Committee Minutes

Date: 15 January 2015

Time: 7.00pm - 8.12pm

PRESENT: Councillor M C Appleyard (in the Chair)

Councillors J L Richards OBE, A D Collingwood, P R Turner, D M Watson, R Wilson and R Farmer

Also present: Maria Grindley (Audit Director, Ernst & Young)

34 APOLOGIES FOR ABSENCE

Apologies for absence were received from Sue Gill, Ernst & Young and Councillor I Bates.

35 DECLARATIONS OF INTEREST

There were no declarations of interest.

36 MINUTES

RESOLVED: That the minutes of the meeting held on 20 November 2014 be confirmed as a correct record and signed by the Chairman.

37 ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY

The Committee received a report which presented the 2015 Risk Management Policy. The Audit, Risk & Fraud Manager reported that there were no significant changes from the 2014 Risk Management Policy which had been agreed by the Committee in January 2014; however, an anticipated change to the Council's priorities would affect the policy and a six-month review was proposed.

In response to a Member comment it was agreed that within the section on responsibility and accountability for risk management, a further bullet point should be added specifying that Cabinet and Cabinet Members are to ensure that all agreed actions identified by officers are implemented within agreed timescales.

RESOLVED: That subject to the amendment noted above, the Risk Management Policy 2015 be approved.

38 REVIEW OF STRATEGIC RISK REGISTER (QUARTER 3)

The Committee received a report which presented the updated Strategic Risk Register for Quarter 3 (April – December 2014). As agreed at the Committee's meeting in November, risk owners were in attendance at the meeting to take questions in relation to individual risks and their ratings.

The Committee focused on four risks: risk 5 (delivering transformation), risk 8 (failure to manage information management and security arrangements), risk 10 (failure to have financial management arrangements in place to manage reduction in government funding) and risk 14 (waste collection).

In relation to risk 5, in response to Members' questions the Head of Democratic, Legal & Policy Services reported that the risk rating of 15 was largely as a result of the current uncertainty around the forthcoming general and local elections which could affect funding and speed of delivery of the Council's priorities and transformation programme. He highlighted that the Council's strategy, to deliver major regeneration projects with income streams to help bridge the identified revenue funding gap in future years, is ambitious and is being monitored on a quarterly basis, with regular reports to Cabinet. The Committee highlighted the need for contingency planning in the event of delays and the need to mitigate any risk around not achieving some aspects of the programme, and it was agreed that the Committee would review the risk again in the event that the risk rating worsened.

In relation to risk 8, the Committee highlighted that this risk was of particular significance in light of the imminent transfer of IT contract provider. The Corporate Director explained the transfer process, and that the risk would continue to be reviewed following the provider change.

In relation to risk 10, the Head of Finance and Commercial reported that there remains a projected shortfall of c £1.4m, with the most significant area of uncertainty being the future of the New Homes Bonus. He advised that a number of schemes for income generation were proposed to be taken forward to bridge the gap, and Members commented that productivity improvements and new ways of working should also be pursued to mitigate the risk.

In relation to risk 14 (waste collection), it was noted that this had been scored at the highest possible risk level (25), and the Corporate Director outlined for the Committee the reasons for this – key to which was the stated aim of the contractor provider, Serco, to move away from providing waste collection services in future. In discussion Members highlighted the need for an active approach to mitigate the risk, ensuring that performance continues to be very closely monitored and that consideration is given to contingency arrangements, although it was acknowledged that given the size of the contract and tendering requirements it could not be possible to have another provider primed to take over operations. In response the Corporate Director assured the Committee that robust monthly monitoring of service quality continues to be carried out, that any performance issues continue to be taken up with Serco, and that Serco is seeking a managed transfer of its waste collection operations. The Committee requested that the Corporate Director be invited to the next meeting to provide a further update on the status of the risk.

RESOLVED: That the Corporate Director be invited to return to the March meeting to provide an update on risk 14 (waste collection). Other risks are to be considered by the Chairman and brought to future meetings as required.

39 DRAFT AUDIT COMMITTEE ANNUAL REPORT

The Committee received a report which presented a draft 2014 Annual Report, following the decision of the Committee at the 26 June 2014 meeting that a report reflecting the work of the Committee should be produced each year. The Audit, Risk & Fraud Manager advised that the report was based on best practice as recommended in CIPFA's Audit Committee Practical Guidance for Local Authorities and Police 2013, and if agreed by the Committee would be published on the Council's website.

RESOLVED: That the draft 2014 Annual Report of the Audit Committee be agreed and published on the Council's website.

40 CERTIFICATION OF GRANTS AND CLAIMS ANNUAL REPORT

This item was withdrawn prior to the meeting.

41 TREASURY MANAGEMENT STRATEGY 2015/16

The Head of Finance and Commercial presented the Treasury Management Strategy for 2015/16. In 2012 the Council adopted the CIPFA Treasury Management in the Public Services Code of Practice, which requires the Council to approve a treasury management strategy before the start of each financial year; a mid-year report; and an annual report after the end of each financial year. The Committee was invited to approve the Strategy for 2015/16, including the Treasury Management Indicators, and to note the Treasury Management Policy Statement.

The Committee considered and noted the report. The Head of Finance and Commercial highlighted that interest rate forecasts provided by Capita included within the report had recently been updated, with a change to the bank rate now not expected for 6 – 9 months, which will affect return levels. The Committee also noted that the Council had repaid £5 million of long-term loans borrowed from the Public Works Loan Board, although this had not yet been financed and had in effect become internal borrowing. The Capital Financing Requirement has therefore not reduced and MRP will continue to be set aside to finance the loan repayment.

RESOLVED:

- (i) that subject to approval by Cabinet, the Treasury Management Strategy for 2015/16, including all of the key changes shown under paragraph 9, and the Treasury Management Indicators contained therein be approved;
- (ii) the Treasury Management Policy Statement, attached at Appendix A of the report, be noted.

42 AUDIT COMMITTEE WORK PROGRAMME

The Committee reviewed its work programme as appended to the agenda.

It was noted that the Certification of Grants and Claims Annual Report, which had not been available for the meeting, was to be added to the agenda for the March 2015 meeting. However, due to the legislative requirement for it to be shared with Members before the end of February the Committee noted that it would be circulated to Members shortly.

The Committee agreed that the Annual Review of the Anti-Fraud and Anti-Corruption Policy be moved to the June 2015 meeting, to take account of the transfer to a Single Fraud Investigation Service (SFIS).

The Committee agreed that a report on progress of outstanding Internal Audit recommendations be added to the agenda for the 5 March 2015 meeting.

The Committee agreed that an update on Risk 14 (Joint Waste Contract) be brought to the 5 March meeting, as outlined under minute 38 above.

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

43 ISSUES LOG

RESOLVED: That the Issues Log be noted.

Chairman

The following officers were in attendance at the meeting:

Emma Lund	- Senior Democratic Services Officer
Steve Richardson	- Head of Finance and Commercial
Mike Howard	- Audit, Risk and Fraud Manager
Ian Westgate	- Corporate Director
Charles Meakings	- Head of Democratic, Legal and Policy Services