

MINUTES

GOVERNANCE AND AUDIT COMMITTEE

THURSDAY, 21 NOVEMBER 2013



COMMITTEE MEMBERS PRESENT

Councillor Jean Bevan (Vice-Chairman)
Councillor Trevor Scott
Councillor Ian Stokes (Chairman)

Councillor Martin Wilkins
Councillor Rosemary H Woolley

OFFICERS

Head of Finance (Richard Wyles)
Finance Support Manager (David Scott)
Principal Democracy Officer (Jo Toomey)
Governance & Risk Officer (Tracey Elliot)

External Audit: Mike Norman (KPMG)
Internal Audit: Rob Barnett (Baker Tilly)

31. APOLOGIES

Apologies for absence were received from Councillors Shorrock and Thompson.

32. DISCLOSURE OF INTERESTS

No interests were disclosed.

33. MINUTES OF THE MEETING HELD ON 26 SEPTEMBER 2013

The minutes of the meeting held on 26 September 2013 were accepted as a correct record with the addition of the following internal and external audit representatives being noted as present:

- Tony Crawley (KPMG)
- Mike Norman (KPMG)
- Chris Williams (RSM Tenon)
- Amjad Ali (RSM Tenon)

34. ANNUAL AUDIT LETTER 2012/13

The Annual Audit Letter 2012/13 was accepted by the Chairman as an additional item of business. Mike Norman from the Council's external auditor

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summarised the letter:

- KPMG had issued an unqualified Value for Money Conclusion.
- An unqualified opinion was given on the authority's annual accounts.
- There were no areas KPMG wished to raise with the Council following the audit.
- No questions or challenges were raised in respect of the authority's accounts.
- Work was completed within the deadlines set by the Department for Communities and Local Government.

Mr Norman went on to credit the support and help given by the Council's officers during the audit, which was reiterated by members of the Committee. He mentioned that the Committee would receive the plan for the 2013/14 audit of accounts in spring 2014. It was anticipated that the process and timetable would be similar to the current year's arrangements.

In response to questions, Members were informed that the scope of the audit would remain the same: to provide an opinion on the authority's accounts and produce a value for money conclusion however account would be given to any emerging risks.

35. INTERNAL AUDIT PROGRESS REPORT

Rob Barnett, Senior Manager from Baker Tilly gave the Committee a brief summary of the company's acquisition of RSM Tenon from 1 September 2013. He assured the Committee that they would be dealing with the same team and that since the change it had been 'business as usual'.

Mr Barnett proceeded to present the Internal Audit Progress Report. He informed members that since their last report, two audits had been completed and given a green opinion. No recommendations had been made in response of the audit of Licensing, while one medium risk recommendation was raised in the payroll and expenses audit. He explained that when considering the new self-service system through which officers claimed expenses, auditors identified 7 instances where they could not get assurance that a manager had signed-off a claim based on having seen receipts.

The Committee considered the process through which staff claimed travel, subsistence and minor expenses. The new self-service system passed the responsibility to managers, with whom the message about checking receipts had been reinforced. Members noted that the recommendation would be reviewed as part of a follow-up report. Some discussion ensued on whether fuel receipts should be submitted with mileage claims. Officers explained that within the present system of checks, the service manager was asked to confirm that claims for mileage were for necessary journeys. When making minor expenses claims, officers were required to include the correct VAT treatment.

Action point:

Officers to check with HMRC with respect the submitting of fuel receipts when submitting mileage reimbursement claims

36. INTERNAL AUDIT TRACKING REPORT

The Senior Manager from Baker Tilly presented the Internal Audit Follow-up Report. He explained that 11 recommendations (2 high risk and 9 medium risk) were followed up and an adequate assurance level was given. Members noted that some of the recommendations had been superseded, particularly highlighted were recommendations relating to the Grounds Maintenance Contract.

Some comment was made about decisions to write-off small outstanding debts. It was suggested that the Portfolio Holder could receive a report detailing the amount that had been written off each year. Members were mindful the decision to write-off outstanding debts below £50 should be based on whether it was a cheaper option than recovery.

Councillors also asked about recommendations made during the audit of excess charging notices for car parks. Some concerns were expressed about the arrangements but officers reassured members that the recommendations had been superseded following the introduction of Civilian Parking Enforcement and the enforcement contract with Nottingham City Council.

Reference was made to appendix C to the report, which gave the total number of recommendations made in respect of each audit and the number of recommendations that were followed up. Councillors were informed that resourcing meant that the decision was taken to only follow-up medium and high recommendations as they exposed the authority to the greatest risk. The Committee was informed that all recommendations were logged via an internal audit tracking system, through which officers tracked low risk recommendations with managers and services. The suggestion was made that heads of service could report on progress against low risk recommendations and if necessary they could be invited to answer any questions.

37. INTERNAL AUDIT 2014/15 INDICATIVE WORKPLAN

Members were invited to look at the draft internal audit work plan for 2014/15. The Senior Manager from Baker Tilly explained that a 3-year strategy was developed which generated a more detailed 1-year plan. To prepare the draft an audit need assessment was carried out by looking at the risk register to identify high risks, looking at past assurances given by internal and external audit, talking to heads of service about any expected changes and by talking to the Committee.

The Committee was informed that the draft would be developed and a final version presented to it for approval at the meeting on 13 March 2013. The document was flexible to take account of any emerging risks. For their meeting on 14 January 2014, members asked for plans of the proposed audits for

corporate governance and risk management. Other suggested topics for 2014/15 were supporting people and parking enforcement.

Proposed topics would need to be prioritised and balanced against the number of audit days available. It was suggested that greater priority should be given to those areas that posed the most risk or that had not been audited for a number of years.

Action point:

Baker Tilly to circulate draft outlines for audits relating to corporate governance and risk management for consideration.

38. INTERNAL AUDIT CHARTER

A copy of the Internal Audit Charter was circulated with the agenda. The Chairman was required to sign the document but requested the agreement of the Committee. The signing of the Charter was a new requirement. Members were advised that a new Charter would only need signing at the beginning of a new internal audit contract or if there was a change to the Chairman of the Governance and Audit Committee.

The Charter would be co-signed by the Chairman, the Strategic Director, Corporate Focus and the Head of Internal Audit at Baker Tilly. Members of the Committee agreed that the Chairman should sign the Charter.

39. TREASURY MANAGEMENT MID-YEAR REVIEW

The Finance Support Manager presented report number HOF255 which gave the treasury management mid-year review. The report looked at treasury management activity between April and September 2013, touching on debt management, investment, performance around investments and the Prudential Code.

Members were informed that there had been no additional long-term borrowing and that the average interest paid on the debt portfolio was 2.93%. One short-term loan had matured during the period. Consideration was given to the cost-effectiveness of early repayment of outstanding loans however for early repayment proved more expensive than allowing the debts to mature.

A treasury management presentation prior to the meeting showed the location of investments, the majority of which were short-term in line with the limits stipulated in the Treasury Management Strategy. Members also acknowledged the original £1m deposited with Lloyds for the Local Authority Mortgage Scheme plus the further £1m agreed by Council which had yet to be deposited.

Officers confirmed that the council was complying with the Prudential Code.

Members requested that future versions of the report show where funds were deposited and specify other accounts in which funds were located.

Members noted the mid-year activity position of 2013-14 (April 2013 to September 2013).

40. CORPORATE RISK REGISTER

The Head of Finance presented report number HOF260 which gave an update on risk management and the Corporate Risk Register. The Risk Register was last reviewed by the Committee in March 2013. It was noted that there were no red risks. There were a number of medium risks for which mitigations were in place. Members were informed that most changes since the register was last presented to the Committee reflected the economic climate and the delivery of Grantham growth and other economic development projects.

More recent changes related to the implementation of the People Strategy and the ability to attract and retain talent, and the new performance management framework.

The Good Housing Portfolio Holder suggested that supporting people should be added to the corporate risk register. Officers advised that the new contract was identified as an exceptional risk on the service risk register but a decision whether it needed inclusion on the corporate risk register would be considered when the register is next updated. Members felt that any issues that were identified as exceptional on service-specific registers should be considered for inclusion on the corporate risk register. Members were advised that service risk registers would shortly be reviewed by officers in accordance with the approved Risk Management Strategy.

The Committee noted the report.

41. CLOSE OF MEETING

The meeting was closed at 15:26.