

At a meeting of the Audit Committee held in Executive Meeting Room - Allerdale House, Workington on Monday 19 February 2018 at 2.00 pm

Members

Councillor Neil Schofield (Chair)
Councillor Mary Bainbridge

Councillor John Colhoun (Vice-Chair)
Councillor Billy Miskelly

Apologies for absence were received from Councillor Tony Annison, Councillor John Cook and Councillor Duncan Fairbairn

Staff Present

K Fryer, I Hinde, B Lennox, P McKenzie, G Roach and E Thompson

Also Present

R McGahon

337. Minutes

The minutes of the meeting held on 27 November 2017 were signed as a correct record.

338. Declaration of Interests

None declared.

339. Questions

None received.

340. Assurance, Risk and Audit Report for the Quarter Ending 31 December 2017

The Assurance, Risk and Audit Manager submitted a report which sought to inform the Audit Committee of the work performed by the Assurance, Risk and Audit Team in the third quarter of the financial year 2017/18.

Chargeable time for the Assurance, Risk and Audit service for the quarter was 74.79%. This was below the planned target of 79.37%. The Assurance, Risk and Audit Manager explained that this reduction in time was due to a number of days spent on training staff members of the Assurance, Risk and Audit service.

Members noted the assurance activities for the quarter. The following reports had been submitted:

- Economic Growth 17/18
- Development Services 17/18.

It was acknowledged that since the reviews had been completed both sections had been reshaped within the authority, however the experience gained from carrying out the work had been beneficial and the agreed actions would improve the services as they move forward.

Members noted the following reviews which were in progress at 31 December 2017:

- Ethics and Culture 17/18
- Business Continuity 17/18
- Financial Services 17/18
- AONB Follow up review 17/18
- Governance 17/18

100% of recommendations made by the Assurance, Risk and Audit service were accepted by management during the quarter.

The Assurance, Risk and Audit Manager updated members on the recommendations resulting from both audit reviews.

Councillor Bainbridge requested further detailed updates on some outstanding items. The Assurance, Risk and Audit Manager agreed to obtain more information and distribute to members of the Audit Committee in due course via email.

Agreed

That the report be noted.

341. Public Sector Internal Auditing Standards Peer Review Results and Self-Assessment Checklist

The Assurance Risk and Audit Manager submitted a report which sought to provide assurance over the effectiveness of the Internal Audit Service at Allerdale Borough Council.

The Public Sector Internal Auditing Standards (PSIAS) stated that an external assessment must be carried out at least every 5 years. The Allerdale Audit Committee agreed on 28 November 2016 for an external assessment to be conducted by the Lancashire and District Audit Group (LDAG).

As presented in the report, Members considered the results from the PSIAS Peer Review carried out by the LDAG, and a self-assessment completed by the Assurance Risk and Audit Manager.

In summary, the peer review concluded that the Councils Internal Audit Service 'conformed' to all focus areas of the review, including Purpose and Positioning, Structure and Resources and Audit Execution.

Agreed

That the report be noted.

342. Local Code of Corporate Governance

The Head of Governance submitted a report for members to review the Local Code of Corporate Governance.

Each Local Authority operates through a governance framework. It is an interrelated system that brings together an underlying set of legislative requirements, governance principles and management processes.

The seven core principles from the CIPFA/SOLACE Delivering Good Governance Framework have been adapted for the local Government context and incorporated into the Councils Local Code of Corporate Governance, which sets out the means by which the council intends to manage its governance arrangements.

Recommended

That Council be requested to approve the Local Code of Corporate Governance.

343. Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2018/19

The Financial Services Manager submitted a report which sought the Audit Committee to approve:

- The Treasury Management Strategy Statement and Investment Strategy, setting out the Council's proposed treasury management activities for the year and policies for the prudent management of its investments
- A statement of the Council's policy on making Minimum Revenue Provision, indicating how it was proposed to discharge the duty to make prudent Minimum Revenue Provision in the forthcoming financial year
- A set of prescribed prudential and treasury indicators for the forthcoming and following years – including the Council's Authorised Borrowing Limit – demonstrating that its capitals expenditure plans were affordable and that external borrowing was within prudent and sustainable levels

The Treasury Management Strategy Statement set out the Council's proposed treasury management activities for the year – based on budget proposals, interest rate forecasts and economic outlook and included the following issues:

- The current treasury position
- Treasury indicators required by CIPFAs Prudential Code for Capital Finance in Local Authorities and Treasury Management in the Public Services: Code of Practice and accompanying sector guidance
- Economic background and prospects for interest rates
- Borrowing strategy

- Policy on borrowing in advance of need
- Debt rescheduling
- Policy on the use of derivatives
- The process adopted for reviewing and addressing the training needs of officers and members in relation to treasury management
- Use of treasury management consultants including services provided and procedures employed for monitoring the quality of those services

The Annual Investment Strategy for 2018/19 set out the Council's policies for the prudent financial management of its investments and for giving priority first to the security of those investments and secondly, to their liquidity and included:

- Procedures for determining the counterparties with whom investments may be placed, including the Council's approach on the use of credit ratings and other sources of information to assess credit and counterparty risk
- The types of investment instruments that may be used
- Limits placed on the amount that may be invested with any single institution or group of institutions
- Limits on the maximum period for which funds may be prudently committed
- Reporting arrangements

The Minimum Revenue Provision Policy Statement set out how the Council would discharge the duty under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) to make prudent Minimum Revenue Provision in the financial year and included the following:

- A description of what Minimum Revenue Provision intended to achieve
- Commentary on the Council's underlying duty to make prudent provision and ensure that debt was repaid over a period commensurate with that over which the capital expenditure provided benefits, or – for borrowing supported by central government funding (Revenue Support Grant) – over the period implicit in the determination of that funding
- Consideration of the 'options' for calculating Minimum Revenue Provision outlined in the statutory guidance on Minimum Revenue Provision and the restrictions on their use
- The policy proposed for the forthcoming year

Members were informed that revisions had been made to the statutory framework for treasury management, detailed in the report, which had been reflected in the report to be agreed for 2018/19. Those changed had not required the council to make any significant changes to the policies previously adopted.

Councillor J Colhoun moved the recommendations. This was seconded by Councillor M Bainbridge. Members unanimously agreed that the recommendations be approved.

Recommended

That Council be requested to approve:

1. The proposed Treasury Management Strategy Statement and Investment Strategy for 2018/19 (included in sections 2 and 3 of Appendix 1)
2. The Minimum Revenue Provision Policy Statement (set out in section 4 of Appendix 1)
3. The prudential and treasury indicators - including the Council's Authorised Borrowing Limit (set out in Section 5 of Appendix 1).

344. External Audit Plan 2017/18

R McGahon, Grant Thornton UK LLP presented the Audit Committee with the external auditors' Audit Plan for the Council for the year ending 31 March 2018.

The plan set out an overview of the planned scope and timing of the statutory audit, to help the Council understand the consequences of the auditors' work, discuss issues of risk and the concept of materiality and to identify any areas where the Council may have requested that additional procedures be undertaken.

Significant risks had been identified, including the revenue cycle and fraudulent transactions, management override of controls, valuation of pension fund net liability and valuation of property, plant and equipment and investment property. The auditors set out their procedures to each risk.

The report also set out the auditors' plans to assess whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, known as the Value for Money (VfM) conclusion.

Agreed

That the external auditors' Audit Plan for the Council for the year ending 31 March 2018 be noted.

345. Annual Certification Letter 2016/17

R McGahon, Grant Thornton UK LLP presented the external auditor's annual letter on certification work for the Council for the year ended 31 March 2017. The auditors were required to certify the Housing Benefit subsidy claim submitted by the Council.

The external auditors had certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £24.205 million.

There were a small number of issues arising from the certification work which the auditors wished to highlight for the Council's attention. Through their initial testing phase of rent allowance cases one error was detected which meant further testing was required. During the additional testing one further error was identified. The financial impact on the councils claim was only £411.53 and relatively insignificant to the total subsidy receivable.

Agreed

That the annual letter on certification work for the Council for the year ended 31 March 2017 be noted.

Actions

Action 1 – That the Assurance, Risk and Audit Manager obtains further detailed updates on the outstanding recommendations from the Economic Growth 17/18 and Development Services 17/18 reviews and distribute to members of the Audit Committee in due course via email.

The meeting closed at 3.32 pm