

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
2 JULY 2014**

Present: Councillor Lovelock (Vice-Chair, in the chair);
Councillors D. Absolom, Page, Stanford-Beale and Terry.

Also in attendance:

Alan Cross	Head of Finance
Paul Harrington	Head of Audit & Risk Management
David Moore	Committee Administrator
Steve Stimpson	Assistant Finance Officer
Ian Wardle	Managing Director

Apologies: Councillors Stevens (Chairman) and McElligott

1. MINUTES

The Minutes of the meeting of 22 April 2014 were confirmed as a correct record and signed by the Chair.

2. HEAD OF AUDIT ANNUAL ASSURANCE REPORT

P Harrington submitted the annual assurance report of the Head of Audit (required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards), which:

- Gave the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement;
- Drew out key themes arising from the work of the Audit Team during the 2013/2014 financial year; and
- Compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

The Annual Assurance report was attached at Appendix 1.

The covering report stated that detailed audit reports had been issued to the relevant Service Managers on the results of individual audits throughout the year, and to the relevant Directors and Heads of Service where unsatisfactory internal control had been identified. In addition, quarterly reports had been issued to, and discussed with, the Corporate Management Team and the Audit & Governance Committee in order to report on standards of internal control, to provide appropriate focus on weaknesses and to progress remedial action where necessary.

The covering report also included a summary of key issues, including details of eight audit reviews assigned limited assurance during 2013/14. All of these reviews had been reported to the Committee during the year and follow-up action would be reported back during 2014/15 as part of the Audit Plan.

Based on the work undertaken by Internal Audit over the course of the year, the Head of Audit had concluded that the Council's control environment was effective for its business

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
2 JULY 2014**

needs and operated in an effective manner. Furthermore, using assurance gained from Internal Audit's work on governance matters, he had concluded that the Council's governance, including internal control, was adequate and effective.

Resolved:

That the assurance opinion given by the Head of Audit be noted.

3. ANNUAL GOVERNANCE STATEMENT 2013-2014

A Cross submitted a report on the draft Annual Governance Statement for 2013/14.

The report stated that the Council was responsible for ensuring that financial management was adequate and effective and that the Council had a sound system of internal control, which facilitated the effective exercise of the Council's functions and which included arrangements for the management of risk.

Regulation 4 of the Accounts and Audit Regulations 2011 required councils to review the *"effectiveness of their system of internal control"* at least once a year and to publish an annual governance statement which accompanied the authority's financial statements. It also required the findings of the review to be considered by a committee of the Council (or the whole Council).

The Annual Governance Statement was a key measure of the overall effectiveness of governance arrangements within the Authority.

The report also stated that in December 2012, CIPFA had issued an Addendum to the Delivering Good Governance in Local Government Framework document which provided further specific guidance on how local authorities should demonstrate an increased emphasis on their strategic approach to governance. The Annual Governance Statement for 2013/14 had reflected this guidance and demonstrated how the key governance requirements had been met.

The draft Annual Governance Statement 2013/2014 was attached at Appendix 1, together with a Governance Framework at Appendix A and the Annual Governance Statement Implementation Plan for 2014/15 at Appendix B.

Resolved:

- (1) **That the Annual Governance Statement for 2013/2014 at Appendix 1 be received and approved for publication with the Council's accounts;**
- (2) **That the Managing Director be authorised in consultation with the Leader and the Chairman of the Audit & Governance Committee to make any minor amendments that became necessary before final publication in September 2014.**

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
2 JULY 2014**

4. INTERNAL AUDIT & CORPORATE INVESTIGATIONS QUARTERLY PROGRESS REPORT

P Harrington submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in April 2014.

The report aimed to:

- Report back on those audit reviews outstanding at year end (31 March 2014) which had been finalised in Q1 of this financial year;
- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that had been subject to audit in Q1;
- Advise the Committee of significant issues where controls needed to improve to effectively manage risks;
- Provide details of forthcoming audit reviews and the status of programmed audits;
- Track progress on the response to audit reports and the implementation of agreed audit recommendations.

The report also provided details of the work which the Council's Corporate Investigations team and Internal Audit had undertaken since April 2014 in respect of investigations into benefit, housing tenancy fraud and other corporate investigations.

Resolved:

That the report be noted.

5. BUDGET MONITORING - EMERGING VARIANCES AND RAG STATUS OF SAVINGS

A Cross submitted a report, which had also been considered by the Policy Committee at its meeting on 23 June 2014, setting out some emerging variances in the 2014/15 Budget and the "RAG" status of the savings agreed for 2014/15, as well as those savings that had been agreed in the 2013/14 budget and had not been fully implemented by the previous report to Policy Committee (Minute 103 of the meeting held on 17 March 2014 refers).

The report noted that the 2014/15 budget included £15m of new savings, of which £10m needed to be delivered in 2014/15, the RAG status of which was set out by directorate in Appendix 1. In addition the budget included almost £2m of savings agreed in the 2013/14 budget round, and the RAG status of delivery of these remaining £2m savings, split by directorate included in the 2014/15 budget, was set out in Appendix 1.

The report explained that the Corporate Management Team had also considered whether there were other potential budget variations ahead of the first formal budget monitoring exercise which would be reported to Policy Committee in July 2014. This exercise had been substantially influenced by a consideration of variances identified in the 2013/14 budget outturn, and a consideration of whether the more significant issues were ongoing and had not been fully taken account of in setting the 2014/15 budget. The exercise had identified potential adverse variations in Culture &

AUDIT AND GOVERNANCE COMMITTEE MINUTES
2 JULY 2014

Leisure and New Directions, but these were likely to be compensated for by some potential positive variances within childcare lawyers (subject to caseloads remaining low), benefit costs and treasury management.

Policy Committee had:

- (1) Noted the emerging variances and the RAG status of savings remaining from 2013/14 and those approved in the 2014/15 budget (for 2014/15);
- (2) Agreed a budget virement of £790k between the Treasury Management Budget and Culture & Leisure and New Directions income budgets to mitigate these expected variances.

Resolved:

That the report and the decisions of Policy Committee be noted.

6. PROVISIONAL END OF FINANCIAL YEAR ACCOUNTS, OUTSTANDING DEBT AND CAPITAL PROGRAMME FINANCING

A Cross submitted a report, which had also been considered by Policy Committee at its meeting on 23 June 2014, summarising the financial position at the end of the 2013/14 financial year, setting out draft final budget variances, and providing a preliminary view of the accounts, including a summary of outstanding debt owed to the Council as at 31 March 2014. The report also sought approval for the financing of the Capital Programme, including the use of S106 Receipts, and for the write-off of various irrecoverable debts in excess of £10k.

Attached to the report at Appendix A were summaries for each directorate and the Housing Revenue Account, giving a comparison of the Approved Budget to outturn. The report also set out a comparison by service between the Draft Outturn and Planned Expenditure for the Capital Programme, and attached at Appendix B a schedule of S106 funding allocations for approval in line with the agreed process. The report also contained information on the Final Accounts Process, and attached at Appendix C was a document setting out the final requirements for Local Authority Accounts and in particular the formal approval process.

The report also explained that financial regulations required that Committee approval was given for write-offs above £10,000, and set out details of two irrecoverable debts totalling £55,794.88. Attached at Appendix D was a summary of the level of general debtors outstanding for more than 60 days. The most significant areas of debt related to Housing Benefit Overpayment and Community Care, where the majority of debt related to domiciliary care and older peoples residential accommodation awaiting administration of clients estates. A large proportion of the debt was being paid by instalments or awaiting legal action.

Policy Committee had:

- (1) Noted the preliminary outturn position and the main reserves, as set out in the report and Appendix A;

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
2 JULY 2014**

- (2) Agreed funding of the Capital Programme and use of S106 receipts, as set out in the report and Appendix B;
- (3) Approved the writing-off of two irrecoverable debts totalling £55,794.88;
- (4) Authorised the Head of Finance, in consultation with the Leader, Deputy Leader and Chairman of the Audit and Governance Committee, to amend the Final Accounts where this was in the best interests of the Council.

A Cross reported at the meeting that he had "signed off" the draft Accounts on 30 June 2014, as required by the Accounts & Audit Regulations 2011, and the audited accounts would be submitted to the Audit & Governance Committee's meeting on 25 September 2014.

Resolved:

That the report and the decisions of Policy Committee be noted.

7. TREASURY OUTTURN REPORT FOR 2013/14 AND RELATED UPDATE

A Cross submitted a report stating that CIPFA recommended that after the financial year end, councils produce an annual report of their treasury activities.

The report therefore had attached at Appendix 1 the outturn report for 2013/14. Included in the report was an outline of two current treasury and related issues likely to impact the Council during 2013/14, as follows:

The Council's change of bank

The report stated that the Co-operative Bank was currently the Authority's banker, but during the year had announced that it was leaving the local authority market. Following a tendering exercise with five other authorities led by Southampton City Council, Lloyds Bank had been selected to replace the Co-Op, and it was expected that most banking arrangements would be changed over to Lloyds during the second half of 2014/15.

Municipal Bonds Agency

The report stated that the Local Government Association (LGA) had announced its intention to establish a collective bond agency during 2013/14. As explained in the 2014/15 Treasury Strategy Statement the agency would aspire to be able to arrange local authority borrowing at market rates slightly below present PWLB rates. It was also explained that the agency would establish a clear market rate for (collective) local authority long term borrowing, which would prevent PWLB rates being increased unfairly. In the Statement it had been identified that it would be reasonable to invest 0.1% of the Council's expected longer term borrowing costs in such an agency, which would incur a maximum initial cost of £40k. Through its Project Group for the

**AUDIT AND GOVERNANCE COMMITTEE MINUTES
2 JULY 2014**

prospective agency, the company the LGA had set up was now seeking investment commitments, and it was intended to publish a parallel Decision Book report to confirm the Council's £40k investment.

Resolved:

- (1) That the treasury outturn report for 2013/14 be noted;
- (2) That it be noted that Lloyds Bank had been selected as replacement banker following Co-operative Bank's withdrawal from the local authority market;
- (3) That it be noted that it was intended to publish a Decision Book report shortly confirming the Council's intended initial investment in the Municipal Bonds Agency.

(The meeting started at 6.30pm and closed at 6.48pm).