

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 21 JULY 2016

Present: Councillor Stevens (Chair), Lovelock, McElligott, McKenna, Page, Steele & Terry.

Also in attendance:

Simon Warren	Interim Managing Director
Alan Cross	Head of Finance
Paul Harrington	Chief Auditor
Giorgio Framaliccio	Head of Planning, Development and Regulatory Services
Robin Pringle	Corporate Health & Safety Manager
Maria Grindley	Director and Engagement Lead, EY LLP
Simon Wilson	Summer Intern, EY LLP
Alan Witty	Engagement Senior Manager, EY LLP
Russell Dyer	Corporate Finance Business Partner

1. MINUTES

The Minutes of the meeting of 19 April 2016 were confirmed as a correct record and signed by the Chair.

2. HEALTH & SAFETY - ADDITIONAL SAFEGUARDS EMPLOYED FOLLOWING THE INCIDENT AT THE WILLOWS AND REVISED HEALTH, SAFETY AND STAFF WELLBEING STRATEGY 2016-19

The Director of Environment and Neighbourhood Services submitted a report outlining actions that had been taken and additional safeguards put in place reflecting the learning points from the Willows case, as discussed at the meeting on 19 April 2016 (Minute 17 refers).

The report explained that following identification of Legionella bacteria in the water system at the Willows Care Home, a range of further safeguards had been put in place across all buildings within the Council's portfolio. The report detailed the procedures and processes which were in place and the actions taken to reduce the risks of any such incident recurring.

The following documents were attached to the report:

Appendix 1 Spreadsheet of Health & Safety spot audits of high risk Council buildings
Appendix 2 Legionella Control Flowchart

The following documents had been circulated separately:

Appendix 3 Property Management and Compliance Guide
Appendix 4 Health & Safety Competency Flow Chart
Appendix 5 Health, Safety & Staff Wellbeing Strategy and Action Plan

In discussion the Chief Auditor confirmed that there were three separate streams of audit activity on Health and Safety and further assurance on compliance were expected to be included in the Internal Audit update report to the Committee in September 2016.

Resolved:

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- (1) That the actions taken and additional safeguards put in place in relation to the Willows case be noted; and
- (2) That the revised Health, Safety and Staff Wellbeing Strategy covering the period 2016-2019 be noted.

3. BUDGET MONITORING 2016/17

The Head of Finance submitted a report on Budget Monitoring that had been considered by the Policy Committee at its meeting on 18 July 2016 and was presented for information.

The report described significant budget pressures, particularly in Children's Services, which was projecting an overspend of £3.635m, representing an 11.7% variance.

The Committee discussed the report and the impacts of wider national policy and economic context on the Council's budget position.

Resolved: That the report be noted.

4. DRAFT OUTTURN POSITION 2015/16

The Head of Finance submitted a report on the draft outturn position for the 2015-16 accounts for the Council that had been considered by Policy Committee on 13 June 2016 and was presented for information.

The following documents were attached to the report:

Appendix A Section 106 receipts that Policy Committee had agreed were to be applied in 2015/16

Appendix B Final Accounts Process

Appendix C General Debtor Arrears

Resolved: That the report be noted.

5. EXTERNAL AUDITORS UPDATE

Alan Witty, Engagement Senior Manager at EY, the Council's external auditor, submitted a report on progress with the 2015/16 audit plan.

The report explained that the EY team had continued to meet regularly with key officers as part of the ongoing audit process. These meetings had enabled the EY team to develop an understanding of the Council's financial processes and to select the samples of income and expenditure they would use for audit purposes.

The report stated that EY's IT team would shortly conclude work on reviewing the controls around the Council's main financial systems. Initial draft findings had been shared with the Head of Finance for review, following which the report would be finalised.

Initial Housing Benefit testing had identified a number of potential errors, which would be reviewed to assess their implications for EY's certification work.

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The Committee thanked EY for their proactive engagement and welcomed their intention to report to each meeting of the Committee.

Resolved: That the report be noted.

6. INTERNAL AUDIT ANNUAL ASSURANCE REPORT

The Chief Auditor submitted a report presenting, at Appendix 1, the Internal Audit Annual Assurance Report, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards.

The report gave the Chief Auditor'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. It also drew out key themes arising from the work of the Audit Team during the 2015/2016 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 report explained 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 (CMT) 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 Annual Assurance Opinion for 2015/16 stated that the Internal Audit Team had concluded that the system of internal control was satisfactory and processes to identify and manage risk were in place.

Resolved: That the assurance opinion given by the Chief Auditor be noted.

7. ANNUAL GOVERNANCE STATEMENT 2015/16 AND IMPLEMENTATION PLAN

The Head of Finance submitted a report presenting the draft 2015/16 Annual Governance Statement.

The report explained 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, including arrangements for the management of risk. The AGS was a record of the overall effectiveness of governance arrangements within the Authority; it reflected the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrated how the key governance requirements had been met.

The Head of Finance outlined two suggested amendments to the draft, in response to comments the auditor had made, and Cllr Lovelock raised a point that should be clarified. It was explained that other points may arise before the absolute final version is published with the accounts after the September committee.

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The following documents were attached to the report:

Appendix 1 Draft Annual Governance Statement (AGS) 2015/16

Appendix 2 AGS Implementation plan for 2016/17

Resolved:

- (1) That, subject to (2) below, the draft Annual Governance Statement for 2015/16 be received and approved for publication with the Council's accounts; and
- (2) That the Interim Managing Director and Head of Finance, in consultation with the Leader of the Council and Chair of the Audit & Governance Committee, be authorised to make any necessary amendments that are needed before final publication.

8. AUDIT AND INVESTIGATIONS QUARTERLY REPORT

The Chief Auditor submitted a report giving an update on key findings emanating from Internal Audit reports issued since the previous quarterly progress report in April 2015. Attached to the report at Appendix A were the internal audit assurance definitions and priority ratings of recommendations.

The report set out a summary of the audit reports and an assurance finding for audits carried out of the following service areas:

- Electronic Document & Record Management
- Leisure income
- Katesgrove Primary School

Resolved: That the report be noted.

9. TREASURY OUTTURN REPORT 2015/16 & RELATED UPDATE

The Head of Finance submitted a report presenting, at Appendix 1, the Annual Treasury Outturn Report 2015/16.

The report explained that the Treasury Outturn report was intended to explain how the Council had tried to minimise net borrowing costs over the medium term, ensure it had enough money available to meet its commitments, ensure reasonable security of money lent and invested, maintain an element of flexibility to respond to changes in interest rates, and manage treasury risk overall. It also outlined some current treasury and related issues likely to impact the Council during 2016/17, the establishment of the Municipal Bonds Agency, and the developing treasury position in the context of the Council's finances and the referendum vote on leaving the European Union.

A Cross gave a presentation at the meeting summarising key treasury management issues.

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Resolved: That the annual Treasury Outturn Report for 2015/16 be noted.

10. STRATEGIC RISK REGISTER - QUARTER ONE

The Chief Auditor submitted a schedule updating the Committee on the Q1 status of the Council's 2016/17 Strategic Risk Register, in line with the requirements of the Council's Risk Management Strategy.

Entries within the Register reflected the risks identified by the Corporate Management Team thereby strengthening their strategic perspective, management response and controls. The inclusion of risks within any level of risk register did not necessarily mean there was a problem but reflected the fact that officers were aware of potential risks and had devised strategies for the implementation of mitigating controls.

Each entry within the register was scored based on an assessment of their impact and likelihood, to provide an assessment of the residual level of risk. Plans were in place to mitigate the risks identified in the Strategic Risk Register.

Resolved: That the Q1 status of the Council's 2016/17 Strategic Risk Register be noted.

(The meeting started at 6.30pm and closed at 7.57pm).