

Minutes of a meeting of the Audit Committee held on 27th November 2012 from 7.00 p.m. to 8.05 p.m.

Present: Andrew Lea (Chairman)
Bruce Forbes (Vice-Chairman)

Simon Banham
Stephen Barnett

Heidi Brunsdon
Sue Seward*

Also Present: Helen Thompson from Ernst & Young.
Steve Connors from Haines Watts, Internal Auditors.
Peter Stuart, Head of Finance and ICT and Section 151 Officer.

* Absent

18. SUBSTITUTES AT MEETINGS OF COMMITTEE – COUNCIL PROCEDURE RULE 4

The Committee noted that there were no substitutes in accordance with Council Procedure Rule 4 – Substitutes at Meetings of Committees etc.

19. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Sue Seward.

20. DECLARATIONS OF INTEREST

There were none.

21. MINUTES

The minutes of the meeting of the Committee held on 25th September 2012 were agreed as a correct record and signed by the Chairman

22. ANNUAL AUDIT LETTER 2011/12

Helen Thompson introduced the report. She said that the letter was brief as much of the information included in previous years had been included in the Annual Governance Report received by the Committee in September. There had been no objections or questions from the public and she had no issues to bring to the Committee's attention.

Helen Thompson updated the Committee on the outsourcing of local government audits to Ernst & Young and the transfer of Audit Commission staff.

A Member asked a question about the format of accounts and use of brackets in displaying information. The Chairman stressed the importance of consistency in presentation of these documents and the Head of Finance said that use of brackets when showing income and expenditure should be consistent.

Helen Thomson, in response to a Member's question about the scale of fees set by the Audit Commission, said that there had been a 40% reduction for local councils.

RESOLVED

That the Annual Audit Letter is received by the Audit Committee.

23. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1ST APRIL – 30TH SEPTEMBER 2012

Peter Stuart, Head of Finance, introduced the report and informed the Committee that the revised projection for Treasury Management interest to be earned in the year is £405,000, which includes an improvement of £111,000 on the original estimate for 2012/13. The performance for the half year had exceeded the budgeted returns for investment income and was within the counterparty lending limits and Prudential Limits approved at the start of the year.

A Member queried whether consideration had been given to assessing the entitlement of this authority to compensation over LIBOR related borrowing if rates had been manipulated. Another Member stated that it would not be cost effective to do so. The Chairman suggested that the Head of Finance speak to the author of the report on this issue.

A Member expressed concern about Santander UK being included in the Council's list of approved investment institutions. They felt that the risk of the Santander Group's bank in Spain having difficulties might impact on public confidence in the UK bank. Members were concerned that public perception might present problems for the UK bank should economic problems in the Euro zone worsen and that it would be prudent to restrict investments involving Santander Group to short term investments only. The Chairman stated that there would be the same exposure to risk in that situation for a short term investment as there was for medium term investments.

In response to a Member's question the Head of Finance said that removing Santander Group from the approved investment institutions would not have a significant impact on day to day operations. A Member asked the Head of Finance if he considered it prudent to exclude Santander Group from the Council's policy and he advised that Santander UK were a ring-fenced UK bank and were as safe as the other institutions included within the policy and that he could not advise that it should be removed.

Councillor Heidi Brunson proposed that the Committee recommended to Council at the next review of the Treasury Management Strategy that Santander Group are removed from the list of approved counterparties and this was seconded by Councillor Lea and unanimously agreed by the Committee.

In response to a Member's question the Head of Finance said that the Public Works Loans Board will always be a low-cost source of loans if they were needed.

Members wished to place on record their thanks for the comprehensive report received from the Strategic Finance - Group Accountant

RESOLVED

That the contents of the report be noted.

RECOMMEND TO COUNCIL

That the Santander Group (incorporating Abbey National, Alliance and Leicester and Santander UK plc.) be removed from the Council's Annual Investment Strategy at its next review.

24. INTERNAL AUDIT MONITORING REPORT – 27TH NOVEMBER 2012

The Committee received a report updating the Committee on the progress of the 2012-13 Internal Audit Plans and progress made in implementing previously agreed recommendations.

Steve Connors introduced the report and updated the Committee on the progress of the review of statutory policies and procedures. He offered to circulate a summary of outstanding medium priority recommendations to the Committee by email in response to a Member's request.

A Member queried why reviews of staff training, the Contact Centre and risk management had been removed from the internal audit plan. Steve Connors said that the Council was moving towards a new approach of risk management and the in-depth review of governance had already covered much of this work. The reviews of staff training and the Contact Centre are not fundamental systems and if there were issues in these areas it was expected that this would be noted in other audits. They would be kept under review and could be reconsidered at a later date. The Chairman asked that there was more clarity in future reports to show that these considerations had been absorbed into other areas and not dropped from audit work entirely.

RESOLVED

That the Monitoring Report is received by the Audit Committee.

25. COMMITTEE WORK PROGRAMME 2012/13

The Committee received its work programme for the year 2012/13. The Head of Finance said that an update on the Annual Governance Report recommendations would also be received by the Committee at its next meeting.

In response to a Member's question about the progress of the review of statutory policies and procedures the Chairman suggested that officers decide whether to include the information in a separate report or as part of the Monitoring Report.

RESOLVED

That the Committee Work Programme for 2012/13 be noted.

Chairman.