

AUDIT COMMITTEE

11 January 2018 at 7.04 pm

MEMBERS: Councillor David Hicks (Chair), Councillor Richard Broadbent (Vice-Chair) and Councillors Kevin Burke and Ali Mirhashem

29. WELCOME AND INTRODUCTION

Councillor Hicks welcomed all those present.

30. APOLOGIES FOR ABSENCE

There were no apologies for absence.

31. DECLARATION OF INTERESTS

No declarations of interest were made.

32. MINUTES OF THE LAST MEETING

RESOLVED: that the minutes of the meeting held on 21 September 2017 be agreed as a correct record.

33. MEMBER DEVELOPMENT - ETHICAL STANDARDS

Jessica Crowe, (Monitoring Officer) presented the session on Ethical standards. The training focused on the links between audit, standards and good governance generally.

The presentation is available on the Councillor Connect site for reference. Discussion covered more details on the Nolan principles the importance of these and how the code is created locally. More details and examples were provided on Disclosable Pecuniary Interests and the sanctions which can be applied to individuals. The Monitoring officer highlighted that the issue of whether a reasonable person would consider that the member was conflicted is about bias and perception of bias, and that is a useful guide on an individual's decision to declare an interest. The discussion also focused on predetermination verse predisposition, and if the Member believes they may still approach the topic with an open mind. Member officer relations and how this code is applied across Members officers and the public was also debated.

It was highlighted that the laws on disqualification take account of a custodial sentence for 6 months or more. New grounds have been proposed as grounds for disqualification and consultation on this by the government has just closed.

34. ORDER OF ITEMS

The Chair announced that item 6 Internal Audit would be moved to after item 8 Annual Audit letter.

35. TREASURY MANAGEMENT QUARTERLY REPORT

The report was presented by Lyndsey Gamble, Head of Investment, Risk and Commercial Finance. She outlined the treasury management review for the quarter ended 30 September 2017 and the Treasury Management operations during the first six months of 2017/18. The Committee were advised that no new borrowing had been undertaken in this timeframe. It was confirmed that Investments as at end of September stood at just over £35M, and that the strategy is that the Council are continuing to use resources to fund capital expenditure. The need to ensure a minimum investment balances of £10M under Mifid II was also highlighted.

The committee were updated that the Prudential code and Treasury Management code has now been revised. It was confirmed that the Prudential code highlights that you may not borrow in advance of need. In discussion it was highlighted that the essence of the Prudential code is regarding high level capital strategy on what CIPFA expect to be included. The new format is being looked at for 2018/19 to get this into the right structure. The consultation by the Government on investment guidance and MRP guidance has closed. The outcome of this is awaited.

There is currently some uncertainty regarding commercial property re investment. CIPFA (The Chartered Institute of Public Finance and Accountancy) have already reviewed London Borough of Sutton (LBS) arrangements for commercial property and these are believed to be sound. The government guidance is awaited to confirm this. Regarding Mifid II LBS have now opted up to Commercial status.

Members asked for clarification on the new codes and the new guidance. It was confirmed that the Prudential code and Treasury Managements code were published by CIPFA before Christmas. The outcome of the Government consultation on investment guidance and MRP guidance has not yet been published.

RESOLVED that:

1. The Treasury management activity undertaken during the first six months of the year be noted.
2. It be agreed that this report be adopted as the mid-year treasury management review and that it be reported to full Council.

36. ANNUAL AUDIT LETTER 2016/17

The report was presented by Paul Jacklin from Grant Thornton and Lyndsey Gamble, Head of Investment, Risk and Commercial Finance. The Annual Audit letter for 2016/17 formally reports the outcome of the external audit of the Council's financial statements for the year and the auditor's opinion on the Council's arrangements to secure value for money. The auditor gave an unqualified opinion on the financial statements, including the pension fund statements and concluded that the arrangements to secure value for money were adequate.

Committees attention was drawn to the fact that there were no material errors and no changes to the Councils financial position. Since publication of letter Grant Thornton advised they have finished work on the Councils Housing Benefit Subsidy claim, which was certified with no qualifications, and on the Teachers Pension review. It was confirmed that the Interim Audit will commence at the beginning of February, and Grant Thornton will bring their proposed audit plan to next committee meeting. The Head of Investment, Risk and Commercial Finance updated the Committee that regarding the recommendation to review historic Debtor and Creditor balances, this has been completed and 60 small balances will be written back as a result.

Members sought clarification on the fee for the teachers pension review and the grant certification. It was confirmed these were unchanged from the previous year.

RESOLVED that :

1. The external auditor's unqualified opinion on the Council's financial statement for the 2016/17 year and the auditor's conclusion that the Council's arrangements to secure value for money were adequate be noted.
2. It was noted that work to address the auditors recommendations is in progress.
3. It was considered if any comments on the annual audit letter or matters arising from it that should be brought to the attention of the Strategy and Resources Committee on 15 January.

In discussion it was highlighted that that some Members of the Committee believed that in respect of the auditor's conclusion regarding the Councils arrangements to secure value for money these were satisfactory rather than adequate.

There were no comments made to be brought to the attention of Strategy and Resources. Gerald Almeroth, Strategic Director Resources also highlighted to the committee that auditor's have completed a review of fixed assets in addition this year.

37. INTERNAL AUDIT - PROGRESS REPORT

The report was presented by Margaret Culleton, Head of Internal Audit. The report summarised Internal Audits progress in delivering the Annual Audit Plan up to November

2017. The plan that was agreed in March 2017 agreed that there would be a total of 765 chargeable days.

The committee were updated that the Internal Audit are on track to complete the planned audits and on the current outcomes that have been awarded. In particular that the following audits were all awarded a substantial outcome. IT, Schools, Debtors, Cash and Bank.

A change for this year is that the Audit team follow up on limited assurance reports and also follow up on Priority 1 recommendations. The Audit team are pleased with response to these follow up actions.

Members asked if appendix C could be collated into a table of the P1 priorities and presented in a way that would enable them to track if actions have been completed by the due date. The Head of Internal Audit agreed to do this for next report. She will also show the dates by which agreed actions will be implemented. It was requested that the Head of Audit should meet with the Chair and Vice Chair before the next meeting to review proposals on how this information may be presented to clarify this. It was requested that the report should also highlight if there are any Services where P1 issues are not resolved. The Chair also asked that the report should enable the Committees to identify the scale and impact of issues. It was agreed that the report will be amended to give a definition of Priority 1 2 and 3 ratings to help with this.

RESOLVED that :

1. The progress report and appendices was considered and commented upon.

38. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE

The report was presented by Julie Turner Assistant Director Resources (Interim), Business Services. The committee was updated on the implementation of the Council's Social Networking Policy and the outcome of the recent RIPA inspection undertaken by the Office of Information Commissioner and the RIPA update on training for authorised Officers within the Council.

Key points highlighted were regarding the implementation of new guidance documentation which has already been shared with Members of this committee. The evaluation of training was that it was good. On 7 August the inspection by the commissioner took place. They reviewed the Council's Policy and were satisfied the earlier recommendation from 2014 was discharged and gave 1 further recommendation. Other matters arising during inspection was that there were a number of internal changes in respect of name changes of relevant organisations as detailed within the report.

The Assistant Director Resources also confirmed that going forward there will be regular insight articles to keep RIPA Policy and guidance at the front of officers minds and also to include this in induction for new colleagues. Members asked for clarification on if LBS has responded to the consultation on the revised RIPA Codes of Practice. It was confirmed that the consultation had closed on 28 December 2017 before LBS were in a position to

respond however a review took place of the consultation questions and it was confirmed that given time LBS would have agreed with the proposals. There is no date confirmed regarding when formal feedback will be received as a result of the consultation.

RESOLVED that:

1. It was noted that the Social Networking Policy has been implemented and is available for all Council staff and members via the intranet
2. The findings of the Office of Surveillance Commissioners report of 7 August 2017 was noted.
3. The current position in relation to the Home office consultation on the draft codes of Practice was noted
4. It was noted that the Change of Office to Investigatory Powers Commissioners Office with effect from 1 September 2017

39. ANNUAL INSURANCE REVIEW 2016/17

The report was presented by Bradley Peyton, Head of Insurance, Pensions and Records Management. He wanted to outline that the insurance service is operating efficiently and effectively as part of the overall risk management framework of the Council as well as acting on a commercial basis providing services to other local authorities and generating new income.

Members sought clarification regarding the financial comments within the cover report. Gerald Almeroth confirmed that there was a general recharge to Sutton College which was broken down to make sure they were paying the correct amounts for the insurance on their operation. This was to make sure income covered costs and to provide clarity.

Members also asked for more details on possibility of growth of this business. This was due to the comment in the report that the service is “working within resources currently in place”. The committee were advised that when looking at proposals for new business, if more resource is needed to deliver that proposed service the cost of that will be assess to ensure that if any new business is taken on that required additional new staff that the cost of additional resources would be factored in and the new business only taken on if it could be at a benefit to the client and the Council.

RESOLVED that:

1. The Insurance Service Review for 2016/17 and the efficient and effective operation of the insurance service was noted.

40. RISK REGISTER REVIEW

This Report was presented by Margaret Culleton. The Audit committee were asked to review and comment on the latest Corporate Risk Register as detailed in Appendix A.

From the review two new risks were added regarding dealing with a major incident and also regarding Council working and managing alternative delivery methods.

Members sought clarification on the two different risk scores, the current risk and target risk. It was noted that some have the same score. Councillor Broadbent highlighted that in his view current risk is score with no mitigation actions in places and target risk would be net risk after actions have been put in place. The view of the Chair is that the first score is raw risk and second column is risk after actions have been put in place. Gerald Almeroth the Strategic Director Resources advised that on occasion risk likelihood cannot be mitigated so in these cases the score could be the same.

In respect of item PEO RR 19 on page 80 Members highlighted that there is the same text in middle and right hand column and asked for this to be amended. Also in respect of the score for Welfare Reform which is currently scored at 12 and 12 clarification was requested on what the actual risk is and if the description could please be added to the register accordingly, to provide clarification on this.

RESOLVED that:

1. The new Risks added to the register major incident and alternative delivery model failure was noted.
2. The Corporate Risk Register was reviewed and commented upon
3. There were no new risks to be added or escalated. Members did not feel they were in a position to suggest this.
4. The Councils overall risk statement was considered.

In discussion regarding the Councils overall risk statement, Members asked if this was a new requirement and how often it should be reviewed. The Strategic Director of Resources advised that the statement had been provided in previous guises before and this is now included in this risk register. This is to show areas of potential risk. The guidance said we should have a risk statement and that is why it has now been included. Officers confirmed the statement would be reviewed in line with the review of the register.

41. AUDIT COMMITTEE WORK PLAN

It was suggested that the Work plan may be retained post March but how that is managed will be looked at going forward by the new Audit and Governance Committee.

It was requested that the Member Development item be removed from the March meeting as development requirements will be picked up by the new committee post May. Other items remained unchanged.

42. ANY URGENT ITEMS BROUGHT FORWARD AT THE DISCRETION OF THE CHAIR

Members wish to acknowledge the sad loss of Councillor Davey, a long standing member of the committee. The committee wanted to note that he had made a very beneficial

contribution to this and other committees. It was highlighted that he had previously been Vice Chair of this committee for a significant time and he was also a very valued colleague and member of all the task and finish groups. The Committee wished to record their thanks for all his work and contributions over the years.

43. DATE OF NEXT MEETING

The next meeting of this committee will be on 29 March 2018.

The meeting ended at Time Not Specified

Chair:

Date: