

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 15 January 2014 commencing at 2.00 pm and finishing at 4.00 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Charles Mathew (Deputy Chairman)
Councillor Surinder Dhesi
Councillor Janet Godden
Councillor Sandy Lovatt
Councillor Stewart Lilly
Councillor Susanna Pressel
Councillor Roz Smith
Dr Geoff Jones

Non-voting Member: Dr Geoff Jones

By Invitation: Maria Grindley and Alan Witty (Ernst & Young).

Officers:

Whole of meeting Peter Clark, County Solicitor & Monitoring Officer, Ian Dyson, Chief Internal Auditor; Lorna Baxter, Chief finance Officer; D miller and A Newman (Law & Culture).

Part of meeting

Agenda Item Officer Attending

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

1/14 **APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

The following apologies and temporary appointments were received:

Councillor Stewart Lilly substituted on behalf of Councillor Caroline Newton and Councillor Lawrie Stratford sent his apologies.

2/14 MINUTES

(Agenda No. 3)

The Minutes of the meeting held 20 November 2014 were approved and signed, subject to the following amendments:

Minute 51/13 – add the following text to the resolution “ and welcome the new Audit Manager, Mr Alan Witty to the Committee;

Minute 53/13 -1st paragraph, fifth line, substitute the text ‘it’s’ with ‘its’.

3/14 TREASURY MANAGEMENT STRATEGY 2014/15

(Agenda No. 5)

The Committee considered the report to the Cabinet on 28 January 2014 (AG5) by the Chief finance Officer on the Treasury Management Strategy and the Annual Management Strategy for 2014/15.

Mr Ley introduced the report and responded to members’ questions and comments. The report complied with the technical requirement of the CIPFA Treasury Management Code of Practice. He reported that the Council was required to approve Prudential Indicators for 2014/15, 2015/16 and 2016/17 and that draft Prudential Indicators were set out at Annex 1. These were currently incomplete as they were dependent on updates to the Capital Programme but would be included in the Treasury Management Strategy Statement as an annex to the Service and Resource Planning Report to be approved by Council on 18 February 2014.

The strategy for financing prudential borrowing during 2014/15 was to use temporary internal balances. External debt would continue to be repaid upon maturity and would not be refinanced unless the economic outlook or the capital programme spend forecasts change.

The Annual Investment Strategy for 2014/15 was based on an average base rate of 0.50% and assumed an average return of 0.80%, 0.30% above base rate. The average cash balance for 2014/15 was forecast to be £300m, including externally managed funds. The list of proposed specified and non-specified investment instruments were set out in full in Appendices C and D respectively. The maximum maturity and duration limits for counterparties were currently determined by matrices based on Fitch credit ratings. The matrices proposed for 2014/15 and the full rationale for determining the credit worthiness of existing and potential counterparties was set out in paragraphs 7.10 to 7.23 to the report.

The Council also intended to continue to place funds in pooled funds with the external fund managers. Further details were given in section 8 to the report.

The Council would continue to prioritise the security and liquidity of capital. The Council would aim to achieve investment returns that were commensurate with these priorities. To achieve this, the Treasury Management Strategy Team (TMST) would aim to maintain a balanced portfolio between longer term deposits with high credit quality counterparties and investments in liquid instruments and shorter term deposits with Money Market Funds (MMFs), high credit quality banks and local authorities.

He further reported that the Council would continue to benchmark the performance of the Treasury Management function through membership of the CIPFA benchmarking club and the benchmarking undertaken by the Council's Treasury advisor Arlingclose. In-house performance would also continue to be benchmarked against 3 month London Interbank Bid Rate (LIBID).

The Committee sought some explanation of the financial language contained within the report. In response, officers undertook to provide members of the Committee with some explanation of the financial terminology contained within the report.

RESOLVED:

The Committee AGREED to forward the report to the Cabinet, noting that the Prudential Indicators for 2014/15 were not available in time for the Audit & Governance Committee to comment.

4/14 INTERNAL AUDIT PLAN - 2013/14 (PROGRESS REPORT AND QUARTER 4 PLAN)

(Agenda No. 6)

The Committee had before them the Internal Audit Progress report, together with the Plan for quarter 4 2013/14 (AG6) for approval.

Mr Dyson introduced the 2013/14 update against Quarter 4 Internal Audit Plan which was summarised in Annex 1 to the report. He also reported on the appointment of a new Senior Auditor, Tessa Clayton who commenced employment at the end of November 2013 and that due to unplanned pressure on internal audit resources had suspended their proactive counter-fraud reviews and the Health & Safety Governance Audit until next year to allow for previously outsourced audits scheduled for Quarter 4 to come back in-house.

The Committee were pleased to note that the issue of theft from one of the Council's establishments had been dealt with and the money returned and that processes around cash handling had been reviewed and changed to ensure that this did not occur again.

In response to a request from a member of the Committee, Mr Dyson undertook to investigate how the Stewardship Fund was being operated.

RESOLVED: to note the report and approve the Quarter 4 Plan.

5/14 REVIEW OF THE CORPORATE GOVERNANCE FRAMEWORK

(Agenda No. 7)

The Committee had before them a report (AG7) which set out progress on improving the Council's governance arrangements and sought approval to the Corporate Governance Assurance Framework.

Mr Clark introduced the report and responded to members' questions and comments. In relation to the Annual Governance Statement, he reported that in the main, good progress had been made against the targets set out in Annex 1 to the report, although two areas remained of concern around data security and data quality.

The Corporate Governance Working Group would be focusing on data security at its next meeting and work continued around improving Data Quality.

In relation to Annex 2, Dr Geoff Jones reported that in relation to paragraph 7.7.2 of Annex 2, the Chairman of the Audit Group no longer provided an independent assessment of the effectiveness of the assurance process.

RESOLVED: to approve the Corporate Governance Assurance Framework, subject to a box showing the 'Scrutiny Committee Function' being added to the flowchart at Annex 2 to the report and the removal of paragraph 7.7.2 from Annex 2 of the report.

6/14 NEW GUIDANCE ON MEMBERS INTERESTS

(Agenda No. 8)

The Committee had before them a report (AG8) which set out the Monitoring Officer Group's findings in relation to the Department of Communities and Local Government non-statutory guidance on members' "personal interests".

Mr Clark in introducing the report, reminded members that it was important to note that the absence of a requirement within the Oxfordshire Code to declare non-pecuniary interests did not mean that Members were precluded from registering and declaring such interests.

RESOLVED (by 7 votes to 0, with 1 Abstention) in light of the Monitoring Officer Group's review, to make no changes to the current Oxfordshire Members' Code of Conduct at this time.

Agreed by 7 votes to 0, with 1 Abstention.

7/14 REVIEW OF THE PROCESS FOR REPORTING ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

(Agenda No. 9)

The Committee had before them an update regarding the review of the process for reporting on the effectiveness of the system of internal audit, including a survey of the extended CCMT to be undertaken by the Monitoring Officer, a self assessment by the Chief Internal Auditor, followed by a presentation of his findings for review by the Monitoring Officer. The Monitoring officer will present his findings to the April Meeting.

The Committee noted the update.

.....

**8/14 AUDIT & GOVERNANCE COMMITTEE - DRAFT WORK PROGRAMME
2014/15**

(Agenda No. 10)

RESOLVED: the Committee noted the Committee's work programme, subject to adding an item on Business Strategies to 26 February Meeting.

Note: Mrs Baxter informed the Committee that she would be unable to attend the meeting set down for April.

..... in the Chair

Date of signing 2014