

At a Meeting of the **AUDIT COMMITTEE** held at the Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **11th** day of **FEBRUARY 2014** at **11.00 am**.

Present:

Cllr D K Sellis – Chairman	
Cllr J B Moody – Vice-Chairman	
Cllr K Ball	Cllr T J Hill
Cllr M Morse	

Head of Finance & Audit
Chief Accountant
Accountant
Chief Internal Auditor
Committee & Ombudsman Link Officer

In attendance: Mr S Johnson – Grant Thornton (External Auditors)

AC 30 CAR PARKING ISSUES

Arising from Minute No AC 18(a) – 2013/2014, it was reported that the Vice-Chairman, Cllr J Moody, and Cllr K Ball had experienced some difficulties in obtaining the information needed to form a view on car parking trends within the Borough. Discussions with officers had clarified the situation and the information requested had been provided from which certain trends in parking had been noted.

Whilst it was acknowledged that car parking fell within the remit of the Community Services Committee, the Audit Committee would keep a “watching brief” on the car parking issues being the Committee that originally raised the matter.

AC 31 CONFIRMATION OF MINUTES

The Minutes of the Meeting held on 10th December 2013, were confirmed and signed by the Chairman as a correct record.

AC 32 TREASURY MANAGEMENT STRATEGY FOR 2014/15 TO 2016/17, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2014/15

The Head of Finance presented a report (page 6 to the Agenda) seeking the Committee’s approval of proposed Treasury Management and Investment Strategies together with their associated prudential indicators and for the Committee to recommend such for approval to Council. The primary objective of the strategy was to maximise the return on the Council’s investments in direct proportion with acceptable risk.

Four appendices were presented with the report. Appendix A (page 12 to the Agenda) detailed the capital prudential indicators; Appendix B (page 16 to the Agenda) set out the Treasury Management Strategy 2014/15 to 2016/17; Appendix C (page 26 to the Agenda) detailed the Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management; and Appendix D (page 30 to the Agenda) the Treasury Management Scheme of Delegation.

In response to a question, the Head of Finance reported that the one-off investment costs of implementing the Transformation 18 Programme were being met through savings and the use of reserves and that there would be no need for the Council to borrow to fund the programme.

In response to a further question, the Accountant reported that investments were limited to a list of approved financial institutions and that investments were reviewed on a daily basis. Investments were usually for short-term periods of 3 months. Higher investment rates were dependent on the sums invested but the Borough Council did not have sufficient investment capital to benefit from a higher return. An illustrative example showed that in 2007/2008, the Council received investment income of £720,000: the anticipated investment income for 2014/2015 was estimated to be £25,321, a reduction of £694,679 on the earlier figure.

It was **RESOLVED** to **RECOMMEND** that Council approves the:

- (i) Prudential Indicators and Limits for 2014/2015 to 2016/2017 contained within Appendix A;
- (ii) Minimum Revenue Provision (MRP) Statement contained within Appendix A which stated the Council's policy on MRP;
- (iii) Treasury Management Strategy 2014/2015 to 2016/2017 and the Treasury Prudential Indicators contained within Appendix B; and,
- (iv) Investment Strategy 2014/2015 contained in the Treasury Management Strategy in Appendix B and the detailed criteria included in Appendix C.

AC 33

THIRD QUARTER PRUDENTIAL INDICATOR AND TREASURY MANAGEMENT MONITORING REPORT 2013/2014

The Head of Finance & Audit presented a report (page 31 to the Agenda) which highlighted the key changes to the Council's capital activity (the prudential indicators), the economic outlook and the actual and proposed treasury management activity (borrowing and investment). Monitoring of investments had shown that up to 31st December 2013, the Council had outperformed the industry benchmark of 0.39% return on investment activity by achieving a 0.42% return on investments. This had been achieved through the use of fixed term deposits.

The Council operated through a balanced budget process which utilised cash raised during the year to fund its expenditure. Part of the treasury management operations ensured that this cash flow was adequately planned, with surplus monies being invested in low risk counterparties, thus providing adequate liquidity initially before considering maximising investment return.

The Council's budgeted investment return for 2013/2014 was £45,321, of which £15,768.23 had been received to date. The budget monitoring report to be presented to the Resources Committee would show an anticipated overspend of £20,000 against the budget.

Three appendices were presented with the report – Appendix A – Lending list as at 31st December 2013 (page 39 to the Agenda); Appendix B – Prudential Indicators (page 40 to the Agenda); and Appendix C – Benchmarking of internally managed funds (page 44 to the Agenda).

It was **RESOLVED** to **RECOMMEND** that Council notes the report and the treasury activity and puts forward any recommendation for changes to the prudential indicators.

***AC 34 CERTIFICATION REPORT 2012/13**

Mr S Johnson, Audit Manager, presented the Certification Report for 2012/13 (page 45 to the Agenda) as prepared by Grant Thornton. All claims (2) had been submitted and certified on time supported by good working papers and evidence. The claims were for Housing and Council Tax Benefit valued at £17,778,722 and for National Non-Domestic Rates Return valued at £10,080,061: neither claim needed amendment or certification.

The Committee was pleased to note that Grant Thornton were very complimentary on the way that the Council's finance officers had prepared and presented their work and that to receive such compliments from external auditors was rare.

It was further reported that Grant Thornton would not be required to audit NNDR claims in future through changes to Government requirements and the NNDR scheme. It was noted that the work of the Internal Audit team had raised the Council's NNDR work from an "adequate" audit opinion to a "good" audit opinion and the Committee was keen that this status be maintained. The Secretary of State did not require a specific year end audit of Councils' Business Rates annual returns for 2013/2014 and Grant Thornton would only review this area as part of their overall review of the Final Accounts. If Councils required a more in-depth audit of their Business Rates figures, this work would need to be specifically commissioned. The Head of Finance suggested that she would contact her Devon colleagues (Section 151 Officers) to perhaps make a collective arrangement for individual audits as a safety measure and to give a level of assurance. The Devon Business Rates pool included mention of an annual audit in its governance arrangements.

It was **RESOLVED** that the report be received and noted.

***AC 35 AUDIT COMMITTEE UPDATE**

Grant Thornton presented a report (page 57 to the Agenda) updating the Committee on the progress being made in meeting the programmed external audit plan. Both the Audit and the Certification Work for 2012/2013 had been completed. Work on the 2013/2014 Accounts Audit Plan was due to start in March 2014 and work on the 2013/2014 Interim Accounts Audit would start on 17th March 2014. Grant Thornton would present the Audit Plan at the Committee's next meeting.

It was also reported that the 20% Council Tax support scheme had not been introduced by the Council in 2013/2014 due to transitional funding arrangements and technical changes that were introduced, but this scheme would be introduced in 2014/2015 and a report on the impact of this would be presented to the Resources Committee as and when necessary.

It was **RESOLVED** that the report be received and noted.

(The Meeting terminated at 12.05 pm.)