



Minutes of the Audit Committee

23 September 2015

-: Present :-

Councillor Tyerman (Chairman)

Councillors Bent, Robson, Stocks and Stringer

12. Apologies

An apology for absence was received from Councillor O'Dwyer and Alex Walling.

13. Minutes

The Minutes were deferred to a future meeting.

14. The Annual Audit Letter for Torbay Council

Members noted the 2015/2016 Audit Fee Letter which set out the scale of fee's which were determined by the Audit Commission.

15. Audit Committee Update for Torbay Council

Members noted the submitted report which set out the progress made by Grant Thornton in delivering their responsibilities as the Council's external auditors.

Members paid particular attention to the reports, Spreading their Wings and Welfare Reform: Easing the burden and requested that hardcopies be supplied by Grant Thornton and circulated, via the Clerk.

16. Follow Up Report on Areas Requiring Improvement

Members noted the Internal Audit Follow Up Report on areas that were identified as 'requiring improvement'. Members were advised that the majority of areas had made progress implementing their action plans resulting in previously identified risks being minimised or mitigated, however the limited progress made in certain action plans meant a number of risks previously identified and highlighted to management continue to remain.

Members noted that progress in particular areas had been limited, in particular, ICT Continuity and Children's Services.

Members also noted the resourcing issues within Parking Services and the impact on the services ability to fully address the recommendations made. Members had regard to the original report being submitted in June 2014 and questioned whether it was still relevant.

Members were advised that all risks identified in the 2014 Parking Services report remain, but the recommendations may change over time. Members requested that the Executive Head for Business Services revisit the original 2014 document to ensure the recommendations are still relevant.

Members questioned that some risks were not being addressed as quickly as in previous years and questioned whether due to increasing capacity issues within service areas there was a necessity to action risks according to severity, with managers prioritising high and medium risks and having to accept that lower graded risks would not have the appropriate action plans implemented.

Members were advised that if a risk cannot be mitigated then the risk would remain and requested that as part of the reporting process an additional sub-section be added to reflect these know risks.

Resolved:

- (i) that the Executive Head for Business Services revisit the original 2014 Internal Audit Report on Parking Services to ensure the recommendations are still relevant and identify any that require modifying;
- (ii) that Service Managers identify risks that they deem to be low priority and unlikely to be actioned, which they accept as a risk. A report to be submitted to the Senior Leadership Team (SLT) with the reason the recommendation identified is unlikely to be actioned and an evaluation of the risk to the Service Area, requesting that SLT accept the risk; and
- (iii) that a Report from the Service Manager be brought to Audit Committee, if the recommendation to SLT has been agreed for acceptance of the identified risk to remain unactioned. Upon approval from the Audit Committee the identified risk will be moved to a new sub-section as part of the Internal Audit Report – Direction of Travel.

17. Treasury Management Mid-Year Review 2015/16

Members considered a report that provided a mid-year review of Treasury Management activities during the first part of 2015/16. The Treasury function aims to support the provision of all Council Services through management of the Council's cash flow and debt and investment operations.

Members noted that interest rates have remained at historically low levels with current and expected levels of borrowing rates providing no economic opportunity to make any early repayment or borrowing.

Members were advised that the new government is likely to step up the divestment of Lloyds Bank and accordingly have re-classified the Bank as a higher risk within the counterparty policy. The Principal Accountant explained that existing exposure in the Bank will be unwound naturally as deposits mature to comply with the associated lower investment limits

This re-classification will add significant additional pressure on the investment portfolio both in terms of available counterparties and the lower level of returns available.

In response to a request from the Audit Committee Meeting on the 15 January 2015 as part of the Treasury Management Strategy for 2015/16, Officers held a briefing session for all Members with presentations on Peer to Peer lending, Multi Asset Funds and Property Funds to evaluate to enable them to report on the impact of diversifying into new higher risk investments which could enhance the Council's investment portfolio.

The Audit Committee gave feedback on the briefing session and considered the positive and negative risks and benefits associated with each option.

Members noted that the Aberdeen Asset Management – Multi Asset Fund was a new fund and had no performance data available, although figures are anticipated during October. The Council's advisors, Capita Asset Services are due to meet with Aberdeen Asset Management in October, and Members resolved to delay considering this option until advice had been received from Capita Asset Services.

The Audit Committee agreed that there should be a cap set on any investment and that there should be scope for the Section 151 Officer to test that water between now and February 2016 and report back, also for the Section 151 Officer to make a revised recommendation based on the Capita Asset Services Advice.

Members noted that feedback from the Audit Committee would be reflected in the Treasury Strategy which will then go to a Policy Development Group and then Council in October 2015 for approval.

Resolved:

- (i) that the Treasury Management decisions made during 2015/16 the first part of 2015/16 as detailed in the submitted report be noted;
- (ii) that the Prudential and Treasury Indicators as set out in Appendix 2 of the submitted report be noted; and
- (iii) that the Council be recommended to vary the Annual Investment Strategy to allow diversification of the investment portfolio into higher risk investments, initially on an experimental basis, and approve investment in a combination of two or three of the following instruments;
 - peer to peer lending – with overall investment of £100,000; maximum individual loan amount of £1,000; maximum loan term of three years; and a maximum credit rating "B";

- Multi Asset Fund pending Capita advice; and
- Property Fund.

18. Regulation of Investigatory Powers Act 2000 (RIPA)

Members considered a quarterly report from the RIPA Co-ordinator on the use of RIPA within the Council and noted that the Information Governance Lead is leaving the Council and the role will be altered. Once a new RIPA Co-ordinator has been appointed, the Audit Committee will be informed.

19. Performance and Risk Framework

Members considered a report which outlined the initial Performance and Risk Dashboards, for each of the targeted action areas which will align to the Corporate Plan, which is due to be considered at Council in September 2015.

Subject to approval, the next stage for the Corporate Plan is for the development of longer term Delivery Plans.

The Dashboards still need to be populated with data and mitigating actions and progress. Members indicated that they would like an additional line inserted to allow national benchmarking to be included.

Members were advised that a Risk and Support Group will be set up to meet in late October with a remit to challenge.

Resolved:

- (i) that the Audit Committee considered the performance indicators and risks contained within the Dashboards (as per appendix one of the submitted report) and provided feedback to the Policy, Performance and Review Manager;
- (ii) that the Audit Committee considered the draft Terms of Reference (as per appendix one of the submitted report) and provided feedback to the Policy, Performance and Review Manager;
- (iii) that a Representative from Audit Committee be invited to attend a Risk and Support Group meeting to observe; and
- (iv) that the Policy, Performance and Review Manager provide a briefing/update session for Audit Committee Members and Scrutiny Members after the first two Risk and Support Group Meetings, by mid November 2015.

20. Adult and Children Services Budget Overspend 'Deep Dive'

The Chairman advised Members of the Audit Committee that the Executive Director had requested that the Committee may wish to accept a commission to

investigate and challenge the budget overspend and decision making processes for both Adults and Children's Services as a 'Deep Dive' exercise.

This request has been made in accordance with paragraph 11 of the Audit Committee Terms of Reference. The Audit Committee could establish a Working Party or to refer the matter to the Devon Audit Partnership for internal investigation. A Working Party made up of Committee Members would be required to report its findings to the Audit Committee, and then to the Executive Director by no later than 27 November 2015.

Members requested clarification as to the proposed role of a Working Party to investigate and challenge the budget overspend and decision making processes and Devon Audit Partnership role to audit the Service areas and what the differences would be, to ascertain the appropriateness of this request.

Devon Audit Partnership advised Members that an investigation could be undertaken by a Working Party to consider the budget overspend and decision making that has already occurred in the past along with the overspend and viability of the 5 year plan. The remit of Devon Audit Partnership is to assess and review current practices and identify risks now or in the future.

Members resolved to accept the request to investigate both Adults and Children's Services and to establish a Working Party comprising of Members of the Audit Committee. Meetings will be supported by Governance Support Officers to record the outcomes and assist in the report of findings to come back to Audit Committee.

Members considered draft Terms of Reference for the Working Party.

Resolved:

- (i) To delegate to the Assistant Director – Corporate and Business Services, in consultation with the Chairman of the Audit Committee to establish a Working Party to investigate both Adult and Children's Services, comprising of 3 Members of the Audit Committee (2 Conservative, 1 Liberal Democrat) with it being acceptable for non-Audit Committee Councillors to be co-opted to the Working Party;
- (ii) To delegate to the Assistant Director – Corporate and Business Services, the Executive Director and Internal Audit, in consultation with the Chairman of the Audit Committee to finalise the Terms of Reference; and
- (iii) To delegate to the Assistant Director – Corporate and Business Services, in consultation with the Chairman of the Audit Committee to informally report findings to the Executive Director by 27 November 2015 and report findings back to Members at the January 2016 Audit Committee.