

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE
MINUTES

Date: 1 February 2017

Time: 6:00 pm

Place: Shimkent Room, Daneshill House, Danestrete, Stevenage

Present: Members: Councillors: M McKay (Chair), H Burrell, D Cullen, L Chester, J Gardner, J Hollywell, G Lawrence, A McGuinness
Independent Member – Brian Mitchell

In Attendance: C Wood (SIAS Audit Manager); K Storey & N Harris Ernst & Young

Start/End Time: Start Time: 6:00 pm
End Time: 7:10 pm

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence and no declarations of interest.

2. MINUTES – AUDIT COMMITTEE – 9 NOVEMBER 2016

It was **RESOLVED** that the Minutes of the meeting of the Committee held on 9 November 2016 are approved as a correct record and signed by the Chair subject to the word 'she' in the last line on page 3 being changed to 'the'.

The Assistant Director (Finance and Estates) advised the Committee that the report referred to at Minute 6 – Internal Audit Progress Report 2016/17 in relation to the Cyber Risk Draft Audit Report would be reported to the Committee in March 2017.

3. TREASURY MANAGEMENT STRATEGY STATEMENT INCLUDING PRUDENTIAL CODE INDICATORS

The Assistant Director (Finance and Estates) presented a report which reviewed the current Treasury Management and Investment Strategy including prudential indicators.

A replacement page 36 was tabled which changed the Money Market Funds to no limit on total cash held, the levels of Enhanced Cash Funds to a maximum of £3 million and included Property Funds which would be subject to consultation and approval limited to £3 million.

The Committee was advised that further updates would be required after the implementation of the Markets in Financial Instruments Directive II in January 2018 which could change the way in which the Council is classified

as an investor.

Members were broadly happy with the proposed changes to the Strategy including the proposals relating to:

- Increasing the Weighted Average Maturity of the Investment Portfolio;
- Increasing the Treasury Limit on Money Market Funds;
- Investing in Building Societies Unrated (no credit rating) – the Assistant Director advised that this was not recommended due to the risk assessments not being available and that the security risk to the Council's investment was too significant;
- Building Societies Review of Investment Duration
- Lowering the Investment Criteria
- Property Funds - Members were of the view that should the Assistant Director consider that the use of Property Funds was appropriate based on market conditions, the Audit Committee should be consulted along with the Resources Portfolio Holder rather than just the Chair of the Audit Committee;
- Enhanced Cash Funds;
- Certificates of Deposits – the Assistant Director recommended approval of these to a maximum of £5 million; and
- Corporate Bonds – not recommended by the Assistant Director due to the high risks involved.

It was **RESOLVED**

1. That subject to the change outlined in recommendation 5 below and any comments from Executive, the Treasury Management Review is recommended to Council for approval.
2. That Council be recommended to approve the increase in the Treasury Limit for "Fixed Rate more than 12 months to maturity" to £10Million when balances are in excess of £30Million.
3. That Council note the use of short term borrowing where appropriate.
4. That Council be recommended to remove the total limit on the amount of funds invested in Money Market Funds.
5. That Council be recommended to approve the use of property funds, subject to market conditions and in consultation with the Resources Portfolio holder and the Audit Committee up to a maximum of £3Million.
6. That Council be recommended to approve the use of enhanced cash funds up to a limit of £3Million.
7. That Council be recommended to approve the opening of a custodian account and the use of the Certificates of Deposits (held

to maturity) up to a maximum of £5Million.

8. That Council be recommended to approve the 2017/18 Treasury Management Strategy.

4. SHARED INTERNAL AUDIT SERVICE (SIAS) PROGRESS REPORT

Chris Wood, SIAS Audit Manager introduced the Shared Internal Audit Service Progress Report. He advised that since the last meeting of the Committee a number of reports and assignments had been issued or completed.

In relation to the Audit report on commercialisation, the Committee was advised that the Council would be appointing a Commercial Manager who would be reviewing current and new income opportunities and this, in conjunction with the Senior Management Review currently underway, would be generating ideas and other efficiency options which would address the recommendations in the Audit report.

It was **RESOLVED** that the Internal Audit Progress Report for the period to 16 January 2017 is noted.

5. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015-16

Kay Storey, Ernst and Young (EY) presented a report summarising the results of EY's work on the Council's 2015/16 claims.

It was **RESOLVED** that the report is noted.

6. AUDIT PLAN

Neil Harris, Ernst and Young (EY) presented to the Committee EY's Audit Plan which provided Members with the proposed audit approach and scope for the 2016/17 audit. The Plan summarised the key risks for an effective audit for the Council and outlined the planned audit strategy in response to those risks.

The Committee was informed of the timetable showing the key stages of the Audit and the deliverables EY had agreed to provide to the Council through this Committee's cycle in 2016/17.

In response to Member's concerns on the timing of the External Audit, Neil Harris advised that he was confident that EY could address these concerns to ensure the issues of this year were not repeated. The Assistant Director (Finance and Estates) reassured the Committee that joint planning with EY had started earlier and the Council was prepared for the July start for the Audit.

It was **RESOLVED** that the report is noted.

7. URGENT PART I BUSINESS

None.

8. EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following report being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

PART II

9. PART II MINUTES AUDIT COMMITTEE – 9 NOVEMBER 2016

It was **RESOLVED** that the Part II Minutes of the meeting of the Committee held on 9 November 2016 are approved as a correct record and signed by the Chair.

10. FINAL INTERNAL AUDIT REPORT – STEVENAGE BOROUGH COUNCIL – DOMESTIC HEATING SYSTEMS CONTRACT 2016/17

The Committee received a report from the Shared Internal Audit Service (SIAS) in relation to the Audit undertaken on the Council's Domestic Heating Systems Contract 2016/17.

It was **RESOLVED** that the report is noted.

11. URGENT PART II BUSINESS

None.

CHAIR