

Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House on 17 December 2015

+ Cllr Valerie White (Chairman)
+ Cllr Paul Innicki (Vice Chairman)

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| + Cllr Rodney Bates | + Cllr Jonathan Lytle |
| - Cllr Edward Hawkins | + Cllr Bruce Mansell |
| Cllr David Lewis | |
- + Present
- Apologies for absence presented

Substitutes: Cllr Ian Sams (In place of Cllr Edward Hawkins)

In Attendance: Charlotte Goodrich and Neil Hewitson

7AS Minutes

The minutes of the meeting held on 15 July 2015 were agreed and signed by the Chairman.

8AS Treasury Report

Members received a report on the Treasury Management Service Performance for 2014/15 as at the 30 September 2015 and compliance with the Prudential Indicators for 2015/16.

It was noted that there had been more borrowing this year to purchase property in order to increase income. The increased income would pay for the interest on the borrowing. Members requested information on the value of the properties which the Council owned. This would be emailed to Members. It was noted that the draft accounts were published on the Council website.

There was some concern regarding the funds with the Icelandic Banks and the following was discussed:

- All investments with the Icelandic Banks had been repaid but some was trapped by currency controls. The Council would have to wait for these to be lifted before access could be made to the funds;
- The funds however, were earning interest whilst held until the currency controls were lifted;
- There were 50 other Local Authorities in the same situation;
- The Local Government Association was investigating how to convert the interest; currently the interest was being added to the balance.

Resolved that:

- i) the report be noted; and**

ii) details of the value of property owned by the Council be emailed to Members.

9AS Internal Audit Recommendation as at December 2015

Members received a report on the status of the internal audit recommendations as at December 2015. Members were advised that the Council operated a classification system of 'essential', 'desirable' and 'best practice' for the audit recommendations. There were no essential recommendations outstanding.

Some Members asked how audit recommendations classified as 'desirable' and remain outstanding, were chased and implemented if they were not escalated to Members or management. Members also discussed the possibility of bringing to committee 'desirable' recommendations that hadn't been implemented after a certain period of time, and where they hadn't been subject to a separate audit, or been superseded by another recommendation.

Resolved that the report be noted.

10AS Update on Financial Statements - verbal update

Charlotte Goodrich and Neil Hewitson from KPMG addressed the Committee with regard to the financial statements. Work was still ongoing regarding the auditors opinions on the financial statements but the certification for housing benefit had been completed.

Members sought clarification as to when the draft accounts would be finalised. They were advised that the accounts required adjustments and these were currently being examined by the auditors.

Some Members noted that this had been the first time that there had been an issue on this scale and requested clarification on the details of the delay in finalising the accounts. Members were advised that it had been due to a combination of technical issues, previous errors under the old financial system and staffing issues. KPMG added that the reasons for the delay also included the capacity and capability within the finance structure, a significant change in the ledger and the fact that some basic core financial controls had not operated throughout the year e.g. monthly bank reconciliations where the interfacing had with the new system had not worked. This has now been rectified.

Some Members were concerned about this and requested that a report be provided to Committee outlining how this could be prevented from happening again.

Members were informed that measures had been put in place to prevent the issue arising again. Some Members asked who had recommended the software and were advised that it had been chosen through a tendering process. However, due to the issues encountered with the system, the final invoice was in dispute.

The final accounts would be signed off in time for the next Audit and Standards Committee meeting in March. It was requested that a report be provided for this meeting outlining what the specific issues had been and assurances that it would not happen again.

Members were advised that the delay in finalising the accounts would not incur any financial penalty however, the breach would be flagged to the National Audit Office and published on the website.

Resolved that:

- i) the report be noted; and**
- ii) a report be brought to committee in March outlining the issues which had delayed the finalising of the accounts and ensuring a mechanism had been put in place to prevent this delay happening again.**

11AS Spending Review 2015 - verbal update

Members received a presentation on the spending review 2015.

The Committee was advised of the following:

- National targets for the spending review and the funding reductions
- Allocations to main departments (Defence, Work and Pensions, Home Office, Education, DCLG, Health and Business Innovation and Skills)
- Projection for Local Government Funding up to 2019/20
- Although business rate income would be increasing through retention, the revenue support grant would be decreasing. It was noted that 50% of the business rates income would go to Central Government, 10% to Surrey County Council, 40% to Surrey Heath plus the fixed tariff to Surrey County Council. Depending on the amount of income generated, because of the fixed tariff this could mean that the Council would actually receive less once the dividends had been allocated.
- New Homes Bonus – the incentive would remain but it was likely to be reduced and the borough county/split altered.

It was concluded that:

Nationally

- Settlement was not as bad as initially expected but details required
- Local Government would still be taking largest slice of cuts
- Consultation on finance reforms would herald huge changes

Locally

- No Government Funding for services
- Government assumed that Council Tax would rise
- Unable to know whether Surrey Heath would benefit at this stage
- Finance reforms would lead to greater risk and volatility in funding
- Important to ensure building homes continued

Members were also advised that the Government settlement had been announced:

- Grant to fall from £965k in 2015/16 to £360k in 2016/17 and Nil thereafter
- Referendum threshold with regard to Council Tax set at 2%
- 13.5 % reduction in funding up to 2019/20 assuming increase in Council Tax (£1m cash)
- New Homes Bonus to be reduced to 4 years from 6

It was noted that it would be challenging times ahead and would be important to generate income and work collaboratively with other Local Authorities.

The presentation would be emailed to Members.

Resolved that:

- i) the report be noted; and**
- ii) the presentation be emailed to Members.**

Chairman