

## Audit Committee

Wednesday, 25th March, 2015  
6.00 - 7.15 pm

Attendees	
<b>Councillors:</b>	Colin Hay (Chair), Matt Babbage, Flo Clucas, Dan Murch, David Prince and Pat Thornton
<b>Also in attendance:</b>	Peter Barber (Grant Thornton), Rob Milford (Head of Audit Cotswolds), Jackson Murray (Grant Thornton) and Mark Sheldon (Director Resources)

### Minutes

**1. APOLOGIES**

Councillor Nelson had given his apologies.

**2. DECLARATIONS OF INTEREST**

Councillor Clucas declared a non-pecuniary interest in agenda item 12 (Revised RIPA procedural guide) as a serving magistrate within an area outside of Cheltenham, but given the involvement that magistrates play in the approval of the RIPA process.

**3. MINUTES OF THE LAST MEETING**

The minutes of the last two meetings had been circulated with the agenda.

Agenda item 3 of the minutes of the meeting held on the 14 January would be amended to show the date, 11 December 2014, rather than 11 December 2015.

Upon a vote it was unanimously

**RESOLVED that the minutes of the meeting held on the 14 January 2015, as amended, and 29 January 2015 be agreed and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

No public questions had been received.

**5. AUDIT COMMITTEE UPDATE**

Jackson Murray from Grant Thornton introduced the update which reported on Grant Thornton's progress in delivering their responsibilities as external auditors. The paper also included a summary of emerging national issues and developments which could be relevant to the committee. He felt that the 'All Aboard?' report may be of particular interest to members of the committee, and perhaps all members, as it looked at governance review from a councillors point of view, with the suggestion being that it could help with the formulation of the Annual Governance Statement. A link to this particular report would be emailed to all members and some copies placed in the Members' Room.

A member suggested that the committee should, at some point, consider the Grant Thornton report 'Rising to the Challenge, the evolution of Local Government'. Officers and Grant Thornton, believed that the Budget Scrutiny Working Group, were in fact the most appropriate group to consider this report, which gave analysis of the ongoing challenge and included case studies of how some authorities were meeting this challenge. The council were already doing this, with Ubico, GOSS and shared services cited as examples, but it was possible that this report could identify alternative options. The BSWG would initiate the debate and if they felt that it would be of value, a member seminar would be arranged.

**6. THE AUDIT PLAN 2014-15**

Peter Barber of Grant Thornton, introduced the Audit Plan for 2014-15. He explained that part of planning for the coming year, involved a detailed analysis of the challenges and opportunities facing the council. The council had a number of initiatives aimed at improving service delivery, whilst minimising costs, including the Bridging the Gap programme and as part of the VfM work, Grant Thornton would look at whether benefits were being realised. The LG Finance Settlement was likely to reduce by 14% in 2015-16 and the council were identifying ways in which to fill this budget gap. In considering the council's arrangements for financial resilience, Grant Thornton would review the Medium term Financial Plan and financial strategy and also use the 2015-16 budget setting process to inform their VfM conclusion. Grant Thornton would maintain a watching brief of the longer term plan (2020 Vision), currently being considered by the council as a means of bridging the medium term funding gap and would offer their view where it was appropriate to do so. In recognition of the GO Shared Service arrangements and to take advantage of economies and efficiencies, Grant Thornton would be undertaking shared testing with the auditors for the Forest of Dean District Council in relation to the review of Operating expenses. He noted that there had been no significant issues arising from their interim work.

In response to a query raised by a member, Grant Thornton confirmed that the desktop review of Gloucestershire Airport had been undertaken by them, but that this was simply to garner sufficient assurance that the entries relating to the Airport were accurate.

**7. AUDITING STANDARDS - COMMUNICATING WITH THE AUDIT COMMITTEE**

Peter Barber of Grant Thornton, introduced the item and explained that in compliance with the International Auditing Standards, Grant Thornton had written to the Chairman of the Audit Committee, on behalf of those charged with governance, and the Director of Resources, on behalf of management. It was considered good practice to share the response of the Chairman, with the wider membership of the committee and an updated version had been circulated at the start of the meeting, with the Chairman's additions marked in red.

In response to a member question, the Director of Resources confirmed that an initial response to the standard questions was drafted on behalf of the Chairman, by the Corporate Governance, Risk and Compliance officer. This was then reviewed by the Director Resources and Head of Audit Cotswolds, before being sent to the Chairman for approval and/or amendments. Peter

Barber of Grant Thornton confirmed that the questions posed to the Chairman differed slightly to those posed to the Director Resources, though there were elements of overlap.

The committee were happy for the Chairman to sign the copy of the responses which had been circulated.

#### **8. ANNUAL INTERNAL AUDIT PLAN 2015/16**

The Head of Audit Cotswolds introduced the audit plan as circulated with the agenda. The work of Audit Cotswolds; the council's internal audit service, provided assurance to the Audit Committee and SLT, as well as supporting the work of the external auditor. The plan was developed through February 2015 and listed risk based assurance work as well as setting out the allocation of days. 40 days had been allowed for the ICT review because unlike the last review, which focussed on the network, this review would involve looking at individual applications across the entire organisation. The plan also included Audit Committee Effectiveness, which had been requested by the committee at their last scheduled meeting. He referred members to the briefing note attached to the agenda and asked that all members complete the questionnaire and return it to him. Business continuity management would centre around making sure that any vulnerability was being properly managed. Consultancy work for the coming year would include support for the REST project but would be dominated by the 20:20 vision work. There was a 20 day flexible resource which would enable Audit Cotswolds to look at other projects over the coming year. The plan was flexible and monitoring reports would alert the committee to any issues that were likely to impact on the plan.

Following the discussion at the January meeting of the committee regarding safeguarding training for members, two sessions were arranged (a morning session on the 23 February and an evening session on the 25 February). The Chairman advised that the County Council had today agreed that countywide safeguarding training should be offered to members and that borough councillors should be made aware of any safeguarding issues in their ward, to aid them in responding to press enquiries. No decision had been taken regarding the guide to what members should do if they have any concerns, but he felt that the training alone would help members identify what questions it needed to ask at Audit Committee to satisfy themselves that the council was meeting its obligations in relation to safeguarding. The Head of Audit Cotswolds confirmed that a safeguarding audit would be undertaken next year and as part of this they could look at which members had received training.

#### **9. INTERNAL AUDIT MONITORING REPORT**

The Head of Audit Cotswolds introduced the monitoring report which was designed to give the Audit Committee the opportunity to comment upon the work completed by the partnership and provide 'through the year' comment and assurances on the control environment. He referred members to paragraph 3.2 of the report which stated that since the last meeting of the committee, activity had centred on the additional Art Gallery and Museum review, which was approximately 2/3 complete. The review into why the overspend had happened would take at least two more weeks to complete, due to the availability of one individual who needed to be interviewed. He had hoped to be able to schedule another meeting for mid-April but given the two week delay, he did not feel that this would be achievable. He suggested that he would look at possible dates

once the review was complete. The Chairman felt that the end of April and start of May would not be very convenient for elected members given the elections, but other members felt that they wanted to bring the issue to a conclusion as soon as possible.

The Head of Audit Cotswolds referred members to Appendix A of the report; a table which summarised progress. He was confident that the plan was deliverable in advance of the June meeting, at which he would present his Annual Internal Audit Opinion and everything was satisfactory at this the moment, but the AG&M review had slowed progress.

Appendix B provided members with an update on Counter Fraud Activity. He was pleased to be able to confirm that the DCLG bid had been successful. £408k had been awarded, staff had been recruited and implementation of the project was being taken forward.

In response to a member question, the Head of Audit Cotswolds advised that ordinarily, there would be an executive summary for each of the items on the progress summary, but given the ongoing AG&M review, there had been delays in concluding other audits hence no executive summaries for this meeting. The transparency agenda was a code that the authority was compelled to comply with and more information on this could be found on the transparency page of the council's website.

#### **10. ANNUAL RISK MANAGEMENT REPORT AND POLICY REVIEW**

The Director Resources introduced the report, as circulated with the agenda. The Risk Management Policy had been approved by the committee in March 2014, at which time members had requested an annual update on the council's risk management activities. He acknowledged that corporate risk management was an important tool but stressed that risk management was not an exact science. In the past year, further work had been undertaken to support the risk management process and help embed good practice across the council. The revised policy was rolled out to the relevant officers and this along with any guidance and advice documents had been made available on the risk management page of the intranet. The council used an online risk management module, on which all of the council's corporate risks were recorded. These risks were managed by an SLT appointed Risk Owner and Risk Manager, who would receive an automated note to review their risks on a monthly basis. SLT considered risk at each meeting, all risks with a score 16 or above, whether they be divisional or project risks, as well as any risks scoring lower, where it was felt collectively that they should be reviewed. Cabinet considered the risk register on a quarterly basis, both informally and formally and the policy was subject to annual review. The Peer Review Team had concluded that the policy was sound and fit for purpose, and the Grant Thornton Forensic Team had made no specific recommendations regarding the risk management policy in their report on the overspend at the AG&M, however, officers have re-considered the policy and scorecard and in an effort to reduce any ambiguity. They felt that there was scope for extending the criteria within the scorecard to assist with the assessment of impact in relation to four additional criteria which relate directly to the Corporate Strategy Outcomes. The ability to develop the module to capture projects risks for every project was currently being explored and the Director Resources felt that this would be the next sensible step.

The Director Resources gave the following responses to member questions;

- Online training was only one component. The council had received a lot of external support and training would be revisited and reinforced. All managers had been reminded of the importance of risk management and this was covered as part of the appraisal process.
- Project risks were managed by the Project Manager and Project Sponsor. They were also regularly reviewed by the Project Team and Cabinet Member.

Upon a vote it was unanimously

**RESOLVED that;**

1. **The risk management work undertaken during 2014-15 be noted.**
2. **The Risk Management Policy for 2015-16 (Appendix 2) be approved.**
3. **The amendments to the Risk Management Scorecard be approved.**

#### **11. REVISED CODE OF CORPORATE GOVERNANCE**

The Director Resources introduced the report, as circulated with the agenda. There was a requirement to review the Code of Corporate Governance on a regular basis to ensure that it remained up to date and relevant. The Code itself followed a standard model and was based upon six core principles. This year the review had been undertaken by the Corporate Governance Group and it was for the Audit Committee to consider and approve the revised Code, as well as, on this occasion, decide which Counter Fraud Statement it wished to include in the Annual Governance Statement (the two options were set out at paragraph 1.9 of the report).

Upon a vote it was unanimously

**RESOLVED that;**

1. **The Code be approved for use during 2015-16 and;**
2. **The Counter Fraud Statement 1 (having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.) be included within the Annual Governance Statement.**

#### **12. REVISED REGULATION OF INVESTIGATORY POWERS ACT (RIPA) PROCEDURAL GUIDE**

The Director Resources introduced the report, as circulated with the agenda. He explained that the council's RIPA procedural guidance document had been updated following the publication of the Code of Practice by the Home Office. RIPA was the law concerning the use of covert techniques by public authorities. It required that when public authorities felt a need to use covert techniques to obtain private information about someone, that they do it in a way that is necessary, proportionate and compatible with human rights. Paragraph 2.1 of the report set out a number of considerations and tests that were applied before any authorisation could be given to proceed. Designated Officers for the purposes of RIPA were named at Appendix A of the RIPA guidance and as an Authorising Officer, the Director Resources could not recollect the last time he

had been presented with an authorisation/notice form, it was so rarely utilised by this council. He noted that the Surveillance Commissioner had last year interview all of those involved in RIPA, at the council and had been impressed by individuals understanding of the process.

The Head of Audit Cotswolds explained that to use a RIPA technique, there needed to be an element of criminality associated with the offence that was being investigated and gave the example of an individual claiming to live alone but who was suspected as living with someone. RIPA may be used to undertake surveillance of the house, but consideration would need to be given to any risk of collateral intrusion.

The Chairman did not intend to suggest that RIPA should be used more frequently but did voice concerns that the suggestion was that it was being avoided as the process was considered tortuous and that this could result in missed opportunities. The Head of Audit Cotswolds assured the Chairman that it was by no means avoided, but simply not required as part of existing work, though there may be new areas of work which the Counter Fraud Unit may consider in the future.

**13. WORK PROGRAMME**

Members were referred to the work plan, as a circulated with the agenda.

There were no amendments required, other than the addition of the extraordinary meeting details, which were yet to be finalised. This would be updated in due course.

**14. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION**

There were no urgent items.

**15. DATE OF NEXT MEETING**

The next meeting was scheduled for 17 June 2015, however, there would be another extraordinary meeting scheduled before this date.

Colin Hay  
Chairman