

Audit Committee

Wednesday, 13th January, 2016
6.00 - 7.15 pm

| Attendees | |
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| Councillors: | Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, Dan Murch, David Prince and Pat Thornton |
| Also in attendance: | Peter Barber (Grant Thornton), Lucy Cater (Audit Cotswolds), Emma Cathcart (Counter Fraud Unit), Sarah Didcote (Deputy Chief Finance Officer), Jackson Murray (Grant Thornton) and Bryan Parsons (Corporate Governance, Risk and Compliance Officer) |

Minutes

1. APOLOGIES

No apologies had been received.

Councillor Babbage arrived at 6:10pm.

2. DECLARATIONS OF INTEREST

No interests were declared.

3. MINUTES OF THE LAST MEETING(S)

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

Upon a vote it was unanimously

RESOLVED that the minutes of the meetings held on the 22 and 23 September 2015 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

No public questions had been received.

5. EFFECTIVENESS OF THE AUDIT COMMITTEE

The Chairman explained that this item had needed to be deferred because the Officer who was going to deliver the presentation was absent due to sickness.

It was now likely that a separate session would be arranged in due course.

6. ANNUAL AUDIT LETTER 2014-15

Peter Barber of Grant Thornton introduced the Annual Audit Letter 2014-15 for Cheltenham Borough Council; which summarised the key findings arising from work carried out by Grant Thornton in year ending 31 March 2015. Members would be familiar with the detail contained in the letter as it summarised the details shared at the September 2015 meeting of the committee, but this was a far shorter report, aimed at key stakeholders. He reminded members that Grant

Thornton had issued an unqualified opinion on the Financial Statements Audit and Value for Money conclusion, at the 24 September 2014 meeting. The Audit fee for 2014-15 remained the same as originally disclosed in the 2014/-15 fee letter and audit plan and Appendix A; set out the issue and recommendation related to fixed assets, which had been discussed at length at the last meeting and included a management response.

He gave the following answers to member questions:

- Cheltenham was not alone; fixed assets were a problem area for a number of other authorities. Not only did they represent some of the largest figures for most council's, but many had been held for many years and many changes in approach to the valuations throughout that time. This was admittedly a very resource intense process for councils and he acknowledged that it was inherently difficult to accurately value fixed assets, but it was because of the volatility of the market, that they needed to be regularly valued.
- GCC and other higher tier authorities would have to include infrastructure assets (highways network assets) in their balance sheet for 2016/17 financial year.
- A piece of land would be valued based on where it was, what it was being used for and what was on it; trees themselves would not be given a value.
- Councils were required to demonstrate that they were making the best use of their assets and from Grant Thornton's perspective, assurances would be gleaned from whether the council had an up to date asset management plan, etc. It would be a democratic decision about whether income generation from assets was of more value than selling assets to realise their worth.

No decision was required.

7. CERTIFICATION OF GRANTS AND RETURNS 2014-15

Jackson Murray of Grant Thornton introduced the Certification letter for 2014-15. Despite a small number of relatively minor issues, set out at Appendix A, the claim had been qualified. The fee, which had previously been set by the Audit Commission, was now the responsibility of the Public Sector Audit Appointments (PSAA) and the 2014-15 fee was unchanged from the fee initially reported to the Audit Committee in the 2014-15 financial year.

It was noted that the DCLG website had been down since the end of November and Grant Thornton had therefore been unable, since that time, to complete certification. Members were assured that this was merely an administrative process and would be completed in due course.

There were no comments or questions on this item.

No decision was required.

8. AUDIT COMMITTEE UPDATE

Jackson Murray of Grant Thornton introduced the audit committee update as circulated with the agenda. The update was in the standard format and set out

progress as at the 22 December. It also included a summary of emerging national issues and developments and would inform the Audit Plan which was scheduled for consideration at the next committee meeting. He noted that the VfM criteria had changed for 2015-16 and now included; informed decision making, sustainable resource deployment and working with partner and other third parties. As always, Grant Thornton would adopt a risk based approach rather than looking at all areas in minute detail. Hard copies and/or links were available for each of the reports listed at the end of the update.

The following responses were given to member questions;

- The Business Location Index related to business growth in its totality; the number of businesses in an area and the direction of travel.
- Council tax collection rates across the country were at 97%, but this council had achieved 98% this year, for which those involved were to be congratulated. The council were considering increasing their council tax collection target to 98.75% for 2016-17, which was in itself; positive.

9. INTERNAL AUDIT MONITORING REPORT (INCLUDING COUNTER FRAUD UPDATE)

Lucy Cater, the Deputy Head of Audit, introduced the Internal Audit monitoring report, as circulated with the agenda. The report was designed to give the Audit Committee 'through the year' comment and assurances on the control environment at the council. The various appendices outlined progress against the Audit Plan, executive summaries for some of the reviews which had been concluded since the last meeting and also included a brief update on the Counter Fraud Unit. The team would soon begin planning for 2016-17 work and invited members to raise any topics for consideration.

The following responses were given to member questions;

- There was a shortfall in the recycling sale prices being achieved against those that were expected. The Section 151 Officer and Pat Pratley, as the Lead Commissioner, were both comfortable that the best prices were being achieved from what was a difficult market, given how values had dropped.
- Financial Rules state that a monthly reconciliation of the general ledger should be undertaken and this was found not to be the case in all but one of the four services that were reviewed. Whilst there was no evidence that monies had been misappropriated, this was the risk and reconciliation of the general ledger would allow for timely detection and investigation of any discrepancies. Some of the teams had already started to do monthly reconciliations but there was no suggestion that they would need to do retrospective reconciliations back to 2012.
- Work on the Contract Management review would be concluded in the next month and an Executive summary produced for the next meeting of the committee. Finance Officers were confident that the Purchase Order system was now being used as it should; though there were some areas which did not require a purchase order (grant payments, etc).
- HMRC could inspect the council at any time and VAT receipts would need to be produced in support of any expense claimed by Members for

fuel. The VAT receipt simply needed to demonstrate that fuel had been purchased and therefore did not need to be for the amount being claimed or indeed for the same day as the date of the claim.

- All of the organisations with which the council pooled money, were audited and the councils internal audit team sought assurances from the appropriate auditors where applicable. Members did feel however, that it would be useful to know how any findings were reported, in order to be able to decide what the Audit Committee might want to see going forward.

No decision was required.

10. COUNTER FRAUD AND ANTI-CORRUPTION POLICY

Emma Cathcart for the Fraud Unit, introduced the Counter Fraud and Anti-Corruption policy, as circulated with the agenda. The policy needed to be updated to reflect the changes to the counter fraud arrangements at the council, following the transfer of all benefit fraud investigation to the DWP and the formation of the counter fraud service on the 1 April 2015. The policy reflected the latest legislation and was developed to in consultation with all the Gloucestershire authorities and West Oxfordshire District Council. The policy was quite strategic in order that it would not need to be changed or revisited too regularly and the procedures that would support the policy were currently in the process of being drafted.

The following responses were given to member questions;

- The policy was based on the strongest parts of policies from this and the other authorities and reflected new legislation. A county wide approach to fraud investigation was unique to local authorities.
- Historically, authorities had shied away from focussing on corporate fraud, but this would become more important with an increasing number of shared services.
- Counter Fraud would be included in the updates presented to each meeting of the Audit committee and the team were keen to publicise any successful prosecutions, in partnership with the relevant authority's communications team.
- A policy was a policy, regardless of whether work was being undertaken for an authority within Gloucestershire or in another county, for West Oxfordshire District Council.
- Members were assured that, as a safeguard measure, RIPA applications would continue to be determined by this authority.

Upon a vote it was unanimously

RESOLVED that having considered the Counter Fraud and Anti-Corruption policy:

- 1. No amendments are required to strengthen the Council's standards of propriety and accountability;**

2. The Head of Audit Cotswolds, in consultation with the Section 151 Officer, be authorised to update the policy with any additional comments resulting from the ongoing counter fraud project.

3. The principles set out in the policy be supported by the committee and that the Audit Committee fulfil its role as set out in the policy.

11. WORK PROGRAMME

The work programme had been circulated with the agenda.

No members raised any items to be included on the work plan.

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

There were no urgent items for consideration.

13. LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION

Upon a vote it was unanimously

RESOLVED that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 5, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

14. EXEMPT MINUTES OF THE LAST MEETING

The exempt minutes of the last meeting had been circulated with the agenda.

Not all members had reviewed the exempt minutes on the restricted app on their iPad and therefore the chair deferred approval of this set of minutes until the next meeting of the committee.

15. DATE OF NEXT MEETING

The next meeting was scheduled for the 23 March 2016.

Colin Hay
Chairman