

Audit Committee

Wednesday, 23rd March, 2016
6.05 - 8.05 pm

Attendees	
Councillors:	Colin Hay (Chair), Matt Babbage, Flo Clucas, Dan Murch and Pat Thornton
Also in attendance:	Peter Barber (Grant Thornton), Lucy Cater (Audit Cotswolds), Emma Cathcart (Audit Cotswolds/Counter Fraud Unit), Bryan Parsons (Corporate Governance, Risk and Compliance Officer) and Nina Philippidis (GOSS/Finance)

Minutes

1. APOLOGIES

No apologies had been received.

2. DECLARATIONS OF INTEREST

Councillor Clucas declared a non-pecuniary interest in agenda item 11 (Review policy guidelines and new policy and procedures for the Acquisition of Communications Data using the Regulation of Investigatory Powers Act 2000) as a Magistrate, though not in the jurisdiction of this policy.

3. MINUTES OF THE LAST MEETING

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

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 13 January 2016, be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

None had been received.

5. AUDIT COMMITTEE UPDATE

Peter Barber from Grant Thornton introduced the update which reported on Grant Thornton's progress in delivering their responsibilities as external auditors. He reminded members that the criteria for how auditors reached their overall judgement on the Value for Money (VfM) conclusion had changed, work was progressing and the findings from this work would be reported to the committee in September. The paper also included a summary of emerging national issues and developments which could be relevant to the committee. He felt that statements in the 'financial health' paper, would resonate with this council and many others, the 'CFO insights' paper was an online analytical tool which Grant Thornton would be happy to demonstrate to officers and the 'Local Authority Trading Companies' (LATC) paper recognised that an increasing number of local authorities were looking at alternative service delivery models.

Grant Thornton had hosted a free LATC client seminar in February which had been well attended by officers from councils in the South West and had included Frank Wilson from Ubico as a speaker, though unfortunately nobody from CBC had been able to attend. Slides from this event would be made available on request.

In response to a question from a member, Peter Barber explained that the 'financial health' paper had been written at a point in time and would not be revisited in light of the budget. As a firm, Grant Thornton were becoming bolder in relation to comments on how central government operated and whilst it would not be appropriate for them to comment on the pace at which cuts were being made, they had, in the past, commented about the difficulty faced by local authorities in being able to plan into years 2,3 and 4 of an MTFS given the uncertainty over what the settlement would be throughout this period. He noted that the LGA, along with many other bodies, had made similar comments every year, for many years.

The Chairman noted the last two bullet points of the 'financial health' paper, which referenced the increasing importance of the role of elected members and the need to improve the level of public consultation. He felt that the role of elected members was more involved than it had been in the past and that the Remuneration Panel should be made aware of this.

No decision was required.

6. AUDIT PLAN 2015-16

Peter Barber of Grant Thornton, introduced the Audit Plan for 2015-16. He explained that the plan provided an overview of the scope and timing of the audit, as well their understanding of the challenges and opportunities that were facing the council; which included Central Government Funding, Devolution, Housing and Joint Arrangements. The document also outlined general changes that faced all councils; one being the bringing forward of the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year. He reminded members that in performing their audit, Grant Thornton applied the concept of materiality; meaning that they did not sign-off the accounts of the council as being correct to the penny. Overall materiality had been determined as £1,644,000 (2% of gross revenue expenditure) and £82,000 was the amount below which misstatements would be considered 'clearly trivial'. Significant risks specific to this council included, the systems upgrade to Agresso, the accurate valuation of assets for the purposes of the balance sheet and the valuation of the pensions liability fund, which would need to be reasonably stated. There were two specific risks associated with the VfM; the MTFS position and 2020 Vision arrangements. He was pleased to report that key messages arising from interim audit work were positive and that the Section 151 Officer's ability to post journals had been removed; which was a recommendation made in last years action plan and demonstrated good controls.

Peter Barber gave the following responses to member questions;

- Audit work relating to the MTFS would include looking at how the change in Business Rates were being reflected in the MTFS and he imagined that the budget was being revisited to reflect these changes.

- Part of the criteria for reaching the VfM conclusion was assessing how the council worked with partners; so rather than Grant Thornton looking at the 'Coxit' issue, they would instead be looking to evidence that the channels for dialogue remained open.
- Grant Thornton did not have the capacity to review every decision taken by the council. Their work focussed on the biggest risks and these were the MTFs, which was a significant risk to most council's and 2020 which was fundamental to this council, not just in terms of finances but also service delivery, as, if realised, it could result in efficiencies and improved services. These issues would be reviewed at a high level and would only be looked at in more detail if an issue was identified.
- The purchase of Delta House would be looked at as part of the 2015-16 financial statements and the VfM audit, more than likely under the valuation of surplus assets and investment property as it was not yet being used for service delivery. Grant Thornton would review what was paid for the property against its current value and whether this represented a gain or an impairment. If it represented an impairment, they would look at why and ensure the impairment had been properly reflected in the financial statements.

No decision was required.

7. ANNUAL INTERNAL AUDIT PLAN 2016-17

Lucy Cater 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 (Appendix 1 of the report) was developed in January 2016, following consultation with the Senior Leadership Team, as well as this committee, and set out the risk based assurance and consultancy work planned for the year ahead, though this was not to say that it could not evolve to respond to any emerging issues

In response to a member question, Lucy accepted that some 2020 partners may have different concerns about governance and risk management and as such, different requirements from the audit plan. She would raise this at the next meeting and look to agree arrangements that suited each partner.

Upon a vote it was unanimously

RESOLVED that the Internal Audit Plan for 2016-17 be approved.

8. INTERNAL AUDIT MONITORING REPORT

Lucy Cater 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. The report set out current progress against each of the areas of work and she highlighted the 'Satisfactory' assurance for Accounts Payable (Transactional Testing); a random sample of 20 invoices were tested and of these 20, 18 were paid within 30 days, though this was not always within the suppliers terms as set out on the invoice. Testing identified that two duplicate payments; one due to two invoices having been issued with two different invoice numbers and the other instance due to the fact that the invoice

was processed under two different supplier IDs. These payments did not represent large sums and members were assured that any duplicate payments were in the process of being recouped. At the time of testing 22% of invoices that were paid had a purchase order and this number had increased to 28% when reviewed again today, however, it was important that members understood that not all payments required a purchase order (utilities, subscriptions, refunds and benefit payments).

Officers, including the Corporate Governance, Risk and Compliance Officer, Accountant and Internal Audit officers, gave the following responses to member questions;

- The system will highlight that a payment has already been made, if the same invoice number (against the same supplier code) is entered twice and the fact that payment of invoices if escalated to another officer if someone is on leave or off sick, could explain why some payments were duplicated.
- Purchase Orders would mitigate against any risk of duplicate payments regardless of differing invoice numbers/supplier codes.
- The policy clearly stated which payments were exempt from having a purchase order and which were not. There was no way of differentiating, on the system, which payments did and did not require a purchase order and therefore it was for Cost Centre Managers to identify invoices which lacked the required purchase order and block the payment. The Deputy Section 151 Officer was in the process of trying to create and manipulate a report from the system, which could be used to challenge those not adhering to the policy, but given the huge number of payments which were exempt, this was not as quick and/or easy as it may sound and as such, was taking time.
- Due to the long term absence of the Head of Audit Cotswolds, it had not been possible to conclude follow-up work in relation to the Art Gallery & Museum and Car Parking. It was hoped that these would be concluded in time for the next meeting.
- The 2 Right to Buy applications which had been prevented had been prevented as the applications were being made fraudulently; either the people did not live in the property or they had been dishonest about their circumstances.
- The 'sentences' referenced in the Counter Fraud Update included fines, suspended sentences, costs and public service.
- CBH had an agreed set of costs, but given that these could not be written off the council, the Counter Fraud Unit would be reviewing these costs, with a view to increasing them.
- Where prosecutions were listed for trial, the accused had pleaded 'not guilty'.

Members were concerned that it was still not possible to confirm whether the council was compliant with its policy; that stated that all invoices (not including those that are exempt) must have a purchase order before payment could be made. They asked that a briefing be produced in time for the next meeting (15 June) that included; a diagram of the process associated with each kind of payment (exempt, with purchase order and without purchase order), the level of compliance at the time of writing the briefing, a timescale for being 100%

compliant (if not already) and details of consequences for any officers identified as not adhering to the policy on a regular basis.

Upon a vote it was unanimously

RESOLVED that the Internal Audit Monitoring Report be noted.

9. ANNUAL RISK MANAGEMENT REPORT AND POLICY REVIEW

The Corporate Governance, Risk and Compliance Officer introduced the Annual Risk Management Report and policy review, as circulated with the agenda. He apologised to the one member who had been provided with a hard copy of the papers, as the track changes had not carried through onto the printed copies and therefore a replacement had been provided. This was not an issue for all other members with iPads. He explained that there had been no substantive changes, with a number simply relating to a change of job title. He took the opportunity to reassure members that the council required any organisation with whom it entered into a shared service with, to have a Risk Management Policy and to report any issues or concerns to the council.

A member felt that the policy was missing something about appetite for risk. He felt that the policy needed to make it clear that there may be instances where the council agreed to proceed with a high level of risk, for a period of time, without taking any action to mitigate that risk. He also felt that such risks should be clearly identified on the risk register so that they were easily identified by scrutiny, who would ordinarily review any risks marked as 'red' on the register. Another member felt that paragraph 10.10 made clear that Cabinet/Council would take such decisions but her concern was in relation to decisions such as this being taken by partners. She felt strongly that this was one of many reasons why members from this council should be on committees of shared services.

Upon a vote it was unanimously

RESOLVED that;

- 1. The risk management work undertaken in 2015-16 be noted.**
- 2. The Risk Management Policy for 2016-17 be approved.**

10. REVISED CODE OF CORPORATE GOVERNANCE

The Corporate Governance, Risk and Compliance Officer, introduced the revised Code of Corporate Governance and explained that there had been no substantive changes this year, other than job titles and the generic term 'shared services' having being adopted for all partnership arrangements.

Shared Services and Joint Committees would be differentiated in the policy next year, acknowledging that powers were seeded with Joint Committees and therefore scrutiny arrangements were different.

Upon a vote it was unanimously

RESOLVED that having considered the Code and suggested an appropriate change to future versions, the 2016-17 Code be approved for use for 2016-17.

11. REVIEW POLICY GUIDELINES AND NEW POLICY AND PROCEDURES FOR THE ACQUISITION OF COMMUNICATIONS DATA USING THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

The Corporate Governance, Risk and Compliance Officer and Internal Auditor from the Counter Fraud Unit, first reported that no RIPA powers had been used in 2015-16. There had been no substantive changes to the policy since last year, though it had been amended to reflect the new senior management structure and the roles and responsibilities of the officers involved in the authorisation and management of the RIPA process. New powers pertaining to the acquisition of communications data were now available to the council and the Counter Fraud Unit was keen to be able to use them when necessary. A new policy had been drafted to provide transparency and guidance on the process, which unlike surveillance, was likely to be used as part of investigations. Authorisation across all councils had not yet been agreed, but once this work was completed, officer and member training and briefings would be arranged.

The following responses provided to member questions;

- Statistics on the use of these new powers would be included in the counter fraud update which would form part of the Internal Audit update at each meeting. It would not be possible to include any more information about ongoing investigations.
- The decision making authority on use of these powers would be the authority that had referred the case for investigation and this would remain so throughout the investigation regardless of whether it crossed into other boundaries.

Upon a vote it was unanimously

RESOLVED that;

- 1. The continued use of the existing CBC RIPA Procedural Guidance be approved.**
- 2. The new Policy and Procedures Document for the acquisition of Communications Data using the Regulation of Investigatory Powers Act 2000 (RIPA) be approved.**

12. 2020 VISION - RESIDUAL CORPORATE SERVICES

As of the 1 April 2016, delivery of the Counter Fraud Unit and Internal Audit Service would be delegated to the 2020 Joint Committee. Members were assured that there would be no change to day-to-day service delivery, with the Audit Committee remaining the designated member level group responsible for monitoring performance of the new shared service.

The Chairman noted that there was no reference to the Oxfordshire devolution bid and that there could well be issues that arose if the proposal to move the Cotswolds into a new local authority in West Oxfordshire, went ahead.

No decision was required.

13. WORK PROGRAMME

The Chairman referred members to the work plan as circulated with the agenda.

A follow-up on the Purchase Order Management system would be scheduled for the next meeting.

The Corporate Governance, Risk and Compliance Officer enquired whether members of the committee would be interested in attending 'Effective Audit Committee' training which was currently being arranged by Grant Thornton and Gloucestershire County Council. A post-elections date would be arranged and this would be communicated to members of the Audit Committee.

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

There were no urgent items requiring discussion.

15. 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

16. APPROVAL OF EXEMPT MINUTES

The exempt minutes of the meeting held on the 23 September 2015 had been circulated with the agenda. Members were reminded that approval of these minutes had been deferred from the January meeting as not all members had reviewed them on the iPad.

Upon a vote it was unanimously

RESOLVED that the exempt minutes of the meeting held on the 23 September 2015, be agreed and signed as an accurate record.

17. DATE OF NEXT MEETING

The next meeting was scheduled for the 15 June 2016.

Colin Hay
Chairman