

Audit Committee

Wednesday, 11th January, 2017
6.00 - 7.35 pm

Attendees	
Councillors:	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne and David Willingham
Also in attendance:	Peter Barber (Grant Thornton), Lucy Cater (Interim Head of Audit Cotswolds), Emma Cathcart (Counter Fraud Team Leader), Sarah Didcote (Deputy Section 151 Officer), Sophie Morgan (Grant Thornton) and Councillor Roger Whyborn (Cabinet Member Corporate Services)

Minutes

1. APOLOGIES

Councillor Parsons and Bryan Parsons (Corporate Governance, Risk and Compliance Officer) had given their apologies.

2. DECLARATIONS OF INTEREST

No interests were declared.

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 21 September 2016 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

No public questions were received.

5. ANNUAL AUDIT LETTER 2015-16

Peter Barber introduced the Annual Audit Letter 2015-16, as circulated with the agenda. The letter summarised key findings from the work that had been undertaken for the year ended 31 March 2016, which members would be familiar with having discussed these findings in detail at the last meeting. This summary was aimed at the wider stakeholder group and set out the role of Grant Thornton as external auditors, the main findings of the work that had been undertaken and concluded at Appendix A, which confirmed the final fees for the year, which were the same as planned.

In response to a member question, Peter Barber advised that the actual fee for the Housing Benefit Grant Certification had been marked as 'TBC' as at the time that this report was drafted, October 2016, the figure was not yet

confirmed, but members would note that the next item on the agenda (Certification of Grants) detailed the figure, which was as planned.

The Chairman acknowledged the hard work involved and thanked Officers for their efforts. This was a positive result for the Council and congratulated everyone.

No decision was required.

6. CERTIFICATION OF GRANTS AND RETURNS 2015-16

Peter Barber introduced the Certification of Grants, as circulated with the agenda. Despite having identified some issues in 2015-16, Grant Thornton were satisfied that these were either isolated or relatively minor in nature. These errors were detailed in the letter, as irrespective of value, any errors needed to be reported to the relevant paying department. He commented that many of these errors were beyond the Councils control and due to the complex nature of eligibility.

The following responses were given to member questions:

- A number of issues referred to the previous year (2014-15), which as a consequence meant extended testing this year (40+).
- The initial sample size (20 for each cell type) was not affected by the size of the claim (£31.706m in the case of CBC) and if any issues were identified from the sample of 20, testing would be extended to 40. As he had already explained, extended testing was automatically undertaken on any cells in which an error had been identified in the previous year.
- The Department for Working and Pensions asked that auditors extrapolate, where appropriate, and not adjust, because, in theory, they could use this as a methodology for adjusting a claim, if required. [He was confident (within the boundaries of limitation in the letter) that there was no 'netting off' and] that there did not appear to be major variations, large movements or over/under payments.
- The standard template for the Housing Benefit Subsidy Claim was in the form of specialist software which captured the totality of Housing Benefit claims for this authority. Each cell contained a number of aggregated claims, consolidated into a cell, which all related to particular types of payment (e.g. rent rebate on a council property). There were only a small number of providers of this complex software but the software was only as good as the data that had been entered into it and this was why sample testing was undertaken and where errors were found, extended testing undertaken to ensure that the error had not been repeated multiple times.

The committee wanted to familiarise themselves with how the claim was formulated so that they might better understand the testing that was undertaken and any errors that were identified. It was suggested that a 5.30pm session be arranged, prior to the next meeting (22 March). The Benefits Team would be invited along to give examples of individual cells and the consolidated data that went into those cells. Confirmation of this session would be sent to members by email.

No decision was required.

7. AUDIT COMMITTEE UPDATE

Sophie Morgan, introduced herself to the committee as the new Manager, replacing Jackson Murray. The Audit Committee update, as circulated with the agenda, summarised progress as at December 2016. She confirmed that all 2015-16 work was now complete and outlined the planned dates for 2016-17 work. The update also detailed a technical updates which included the flexible use of capital receipts which may be of interest to members, as well as details of publications and events, which again, members may find useful.

There were no comments or questions.

No decision was required.

8. OFFICE OF SURVEILLANCE COMMISSIONERS - RIPA INSPECTION REPORT

In the absence of the report author, the Chairman introduced the report, as circulated with the agenda. On the 1 November 2016, His Honour Norman Jones QC, Assistant Surveillance Commissioner with the Office of Surveillance Commissioners (OSC) issued his report on the inspection he had undertaken on the 19 October 2016. In his report, the Assistant Commissioner made a number of conclusions, as well as 4 recommendations which he felt would strengthen and improve the Council's arrangements and guidance. The report confirmed that the recommendations would be met but because of other operational changes taking place following approval by Cabinet to formalise the Counter Fraud Partnership, that these should be addressed as part of the annual review of the RIPA procedures in March 2017.

A member congratulated everyone involved, in his view the OSC did not give praise easily and therefore everyone should be very pleased with the feedback that had been received.

The Counter Fraud Team Leader gave the following responses to member questions:

- Although marked as 'official sensitive' the report was suitable for publication, with the OSC confirming that such reports could be published if the authority wished to do so. Sensitivity had been considered in relation to the signature on the letter, which members would see had been redacted. It was an administrative error on the part of the report author that the wording 'official sensitive' had not also been redacted.
- It was likely that the Counter Fraud Unit would consider the use of RIPA more readily than the authority had in the past.
- A register of Non-RIPA investigations would be created.
- The Counter Fraud Team Leader had identified general concerns in relation to licensing of Taxi drivers and felt that more checks could be undertaken in this area and this would include the application of RIPA / non-RIPA investigations where applicable. The concerns raised by members would be taken on board when reviewing this area.

- Training had been provided for all Senior Responsible Officers and Authorising Officers across the region. Pat Pratley (Head of Paid Service), Tim Atkins (Managing Director – Place and Economic Development) and Mike Redman (Director of Environment) attended. Further training would be rolled out to all enforcement staff to help identify possible improvements to any services.

The Chairman permitted Councillor Whyborn, as Cabinet Member Corporate Services, to address the committee. He confirmed that he had sought the same assurances as this committee in relation to the perceived reluctance of Officers to use the RIPA powers available to them, which had recently grown to include telephone and email. He had been assured that RIPA along with a great many other regulatory powers were considered in the context of all identified risks.

The committee would look forward to considering the management responses to the OSC report in March 2017, when it undertook its annual review of the RIPA procedures.

Upon a vote it was unanimously

RESOLVED that having considered the findings and recommendations within the OSC report, the committee agree that the recommendations and any resulting management responses be considered as part of the Annual Review of the RIPA Policies at the March 2017 Audit Committee meeting.

9. FUTURE PROVISION OF EXTERNAL AUDIT

The Chairman introduced the report as circulated with the agenda. He felt the report clearly set out the options for the committee to consider for recommendation to Council; opt in to the appointing person arrangements or establish an auditor panel and conduct a procurement exercise. The Deputy Section 151 Officer confirmed that the Officer recommendation was that the council opt in to the appointing person arrangements made by the Public Sector Audit Appointments (PSAA).

There were no comments or questions.

Upon a vote it was unanimously

RESOLVED that Council be recommended to opt in to the appointing person arrangements made by the Public Sector Audit Appointments (PSAA).

10. COUNTER FRAUD UNIT UPDATE

This report provided a summary of the activity undertaken by the Counter Fraud Unit during the project phase. On the 6 December 2016, Cabinet had supported a recommendation that this authority participate in the establishment of a permanent Counter Fraud Unit, Forest of Dean District Council and West Oxfordshire District Council had done the same. Tewkesbury Borough Council Audit Committee had recommended the same, Gloucestershire County Council, CBH and Ubico were already on board. Stroud District Council and Gloucester City Council were in discussions and considering recommendations. Subject to the decision of the other partner Council's, the Counter Fraud Unit would be a permanent support service from the 1 April 2017; Cotswold District Council

being the host authority. From this point onwards, these updates would be produced on a bi-annual basis and would be much more Cheltenham specific. She took the opportunity to thank the committee for the support it had shown up to this point.

The Counter Fraud Team Leader gave the following responses to member questions:

- Most successful prosecutions were subject to an immediate press release as it was widely accepted that this helped to act as a deterrent.
- Historically, as an authority, CBC did not administer Council Tax Penalties. More robust checking and verification work in this area could be of benefit and this area is to be explored further.
- The Prosecution Policy was being reviewed with One Legal, so that as with other policies, it could be aligned across all partner Councils. The decision to prosecute would still take consideration of the public interest test, monetary loss and any risks, including reputational risks.

The Chairman felt that the message to anyone claiming Council Tax Discounts should be, if you are unsure if you can claim or continue to claim a discount, then ask the question and get a clear answer, rather than risk having to pay something retrospectively or being fined.

Upon a vote it was unanimously

RESOLVED that the update be noted.

11. INTERNAL AUDIT MONITORING REPORT

The Internal Audit Monitoring Report was designed to provide the Audit Committee with the opportunity to comment on work undertaken and/or completed by the partnership and provide assurances on the control environment throughout the year. It was highlighted that the PSN report had been completed by the South West Audit Partnership (SWAP) and therefore any questions on this issue would need to be referred to them. The partnership had started to compile, the 2017-18 Audit Plan and she took this opportunity to thank those members that had suggested topics of interest. As referenced in the report, Audit Cotswold Officers had, had 1-2-1 meetings with SWAP and a universal plan was currently being devised. SWAP were also going to be providing a laptop that would enable Officers to familiarise themselves with the SWAP system.

In relation to the Executive Summary for Green Waste, it was explained that Cotswold District Council provided licenses to residents on an annual basis (once the fee had been paid) which were affixed to bins and therefore made it easier for operatives to identify those properties that had not renewed their subscription and paid for continued use of the garden waste collection service. Cheltenham instead provided operatives with a daily list which highlighted new properties and as part of the review Ubico had advised that the CDC approach was preferable as it was less administrative. Audit Cotswolds had recommended that CBC adopt the license approach and this committee supported this recommendation.

The Chairman raised the issue of tailgating, which he had been surprised to see no mention of within the Executive Summary for Security. Members felt this posed a risk to property and data, as well as the safety of staff. Officers gave assurances that staff, were regularly reminded of their obligation to challenge tailgaters, to carry their ID badges at all times and to report any security concerns. There was a suggestion that Group Leaders should remind members of the obligation on staff to provide challenge to anyone that they don't immediately recognise, as well as a request that they refrain from reacting badly to this challenge, as had been the case on occasion.

Upon a vote it was unanimously

RESOLVED that the report be noted.

12. WORK PROGRAMME

In relation to the briefing note that had been circulated with the agenda, the committee were pleased to see that at November 2016 the rate of Purchase Order Payments was at 80%. However, given that this figure had been less than 70% the previous month, they asked that a further update be produced in six months. The Deputy Section 151 Officer advised that as well as an increase in the use of Purchase Orders, the exemptions list was growing as requests from service areas were vetted and found to be legitimate.

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

There were no urgent items for discussion.

14. DATE OF NEXT MEETING

The next meeting was scheduled for the 22 March 2017.

Colin Hay
Chairman