

Audit Committee

Wednesday, 14th January, 2015
6.00 - 7.45 pm

Attendees	
Councillors:	Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, Dan Murch, David Prince and Pat Thornton
Also in attendance:	Rob Milford (Head of Audit Cotswolds), Jackson Murray (Audit Manager, Grant Thornton), Bryan Parsons (Governance, Risk and Compliance Officer) and Mark Sheldon (Director Resources)

Minutes

1. APOLOGIES

Peter Barber from Grant Thornton had given his apologies following the birth of his daughter and the committee asked that their best wishes be passed on to Peter.

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.

Members commended the level of detail that was included in the minutes.

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 11 December 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 himself to the Committee; he would be replacing Peter Smith as Audit Manager for Cheltenham. He referred members to the update which had been circulated with the agenda and explained that there were two parts to the update, the first detailed progress against the current work plan. He confirmed that work on the 2014-15 Audit had recently commenced and that the Audit Plan would be tabled at the next scheduled meeting, following completion of the interim audit work. His colleague, Katie Haines, was leading on this and it was expected that this work would be completed by early February, with the Final Audit being undertaken between June and September 2015. He noted that there were no other areas of work at this time, though there had been other activity undertaken by the Forensic Audit Team at Grant Thornton in relation to the AG&M overspend.

The second part of the update summarised emerging national issues and developments which were relevant to the work of the committee and which members may find useful.

The Director Resources advised the committee that the reports that had been referenced had been discussed at the liaison meetings, with hard copied circulated internally, as well as copies placed in the members' room.

A member asked the representative of Grant Thornton to share his thoughts on the reoccurring references, in the various case studies, relating to a council's ability to oversee and influence policy within organisations (shared services, partnerships, local authority companies, etc) to maximise the benefit for residents (profit) and minimise any loss. Jackson Murray explained that he had not been involved in any of the individual case studies but felt that going forward, into further alternative delivery models, the council would have to ensure that it fully understood the implications and/or restrictions of any governance arrangements being entered into. The Director Resources outlined some of the commissioning decisions of the last couple of years. For each of the service delivery models that had been adopted, full consideration of governance arrangements had been given to the various options and this, along with due diligence and risk assessments were identified in the respective reports. Arrangements for the sharing of surpluses had been considered and built into the legal agreements. The issue of golden shares had been discussed in relation to Ubico, but Cheltenham and Cotswolds had decided that attracting more partners would deliver the maximum benefits for residents, better enable countywide objectives to be met and that any such 'golden shares arrangement' could discourage prospective new partners. The Head of Audit Cotswolds, who was undertaking a PHD in Shared Service Governance, agreed to arrange a workshop for members, in which he would set out the various governance arrangements in place at the council and how they were monitored. Members were happy with the proposed approach.

In response to a member question, the Head of Audit Cotswolds advised that the figure of £876 million within the anti-fraud and corruption update represented 1% of total procurement spend, but there was some dispute over this figure as it also included military procurement.

The Chairman referred members to the concerns expressed by Transparency International, that audit committees were unable to fulfil the function of reducing risk in many authorities and queried whether this was the case at this authority. Officers reminded members that this committee had reviewed the risk management policy and the risk management process, which was far less ambiguous than it had previously been and as a result of which, the council was far better at risk management than it had been. The Governance, Risk and Compliance Officer had applied the Audit Committee Effectiveness Checklist some three years ago and would do it again, this would highlight areas of strength and identify any training requirements.

There were no recommendations.

6. ANNUAL AUDIT LETTER 2013-14

Jackson Murray of Grant Thornton introduced the Annual Audit Letter 2013-14 for Cheltenham Borough Council which summarised the key findings arising

from work carried out by Grant Thornton in year ending 31 March 2014. 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 2013 meeting. The key messages of the report included the fact that there was an increase of £900 to the fee reported in the original audit plan and the increase was in respect of work on material business rates balances. The additional work was necessary as auditors were no longer required to carry out work to certify NNDR3 claims and the increase had been applied by the Audit Commission, who had applied 50% of the average fee previously charged for the NNDR3 certification for District council's and did ultimately result in a NET reduction.

The Governance, Risk and Compliance Officer reminded members that the work relating to the AG&M overspend had been undertaken by the Forensic Audit team at Grant Thornton. He confirmed that the final draft of the report had been circulated to Officers to check factual accuracy, with a deadline of 1pm tomorrow (15 January), in order that any responses could be shared with Grant Thornton and the final report received by Monday in order that the agenda could be published by the statutory deadline of Wednesday 21 January. Whilst he was confident that the deadline for comments would be met, this did involve a number of people, whose views would need to be taken into account.

7. CERTIFICATION OF GRANTS AND RETURNS 2013-14

Jackson Murray of Grant Thornton introduced the Certification report for 2013-14. He explained that certification typically took place six to nine months after the claim period and represented a final and important part of the process to confirm the Council's entitlement to funding.

There were no comments or questions on this item.

Upon a vote it was unanimously

RESOLVED that the Certification of grants and returns 2013-14 report be noted.

8. ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT ISSUES ACTION PLAN (MID-YEAR REVIEW)

The Governance, Risk and Compliance Officer introduced the report as circulated with the agenda. The Annual Governance Statement (AGS) contained a Significant Issues Action Plan and this report summarised progress in relation to the three key issues of concern; business continuity, safeguarding children and vulnerable adults – training records and car parking. Progress had been monitored and updated by the appropriate officer and reviewed by the Corporate Governance Group. He talked through progress in relation to each of these issues, which included;

- Business Continuity was a maturing process, to which there would be no conclusion but this was progressing well and would continue to be monitored by the South West Audit Partnership, as well as by Internal Audit.
- Safeguarding Children and Vulnerable Adults had been on the plan for over two years, given that guidelines and processes changed in-light of any major incident. Since this report had been written. The Strategy and Engagement team had recently undertaken a self- assessment against

the requirements of Section.11 of the Children Act 2004. The Corporate Governance Group (CGG) had reviewed the outcome of this self-assessment and the Corporate Governance Officer circulated a high level dashboard report indicating the rating and direction of travel. In 2013 most of the actions were showing as amber, but in 2014, there were 3 'green', with only 2 'amber' actions remaining. The Leisure and Culture Trust had adopted the Council's policy but were ultimately responsible for assessing their own training needs and providing appropriate training and monitoring, internal auditors would consider the level of compliance with the policy requirements as part of their audit planning. The s11 self-assessment would be undertaken annually by this council. The Governance, Risk and Compliance Officer was of the opinion that this issue could now legitimately be removed from the action plan given the progress that had been made.

- Whilst significant progress had been made in relation to the Car Parking issue, ongoing discussions centred around the need for a revised Car Parking Strategy. The Director of Resources explained that a draft strategy would not be ready for February 2014 given the amount of work still required, mostly due to the fact that upcoming decisions relating to Boots Corner would prompt further questions regarding the location of parking. The Head of Audit Cotswolds would circulate links to his previous reports and follow-up reports.

A number of members of the committee voiced concern that training relating to the safeguarding of children and vulnerable adults was not being offered to elected members. They felt that as part of the ward councillor role, many elected members would be visiting people in their homes and should be given the opportunity to attend training on how to report concerns. They also felt that any such training should help members of this committee fulfil their duty in ensuring that the council is fulfilling its duty. Members accepted that elected members could not be mandated by the council to attend training, or read the handbook/policy and as such there were no sanctions should members choose against it, but nonetheless, the committee members felt this should be made available. Members discounted the suggestion by one member that DBS checks (formerly CRB checks) should be carried out on all members. It was agreed that the issue should remain on the action plan until such a time as training had been arranged for elected members. The Governance, Risk and Compliance Officer would request that the Partnership Team leader for safeguarding organise training for elected Members as soon as possible.

Upon a vote it was unanimously

RESOLVED that the Car parking issue on the Significant Issues Action Plan be closed and that the Business Continuity and Safeguarding Issues should remain open until the annual assurance assessment is considered again.

9. INTERNAL AUDIT MONITORING REPORT

The Head of Audit Cotswolds introduced the internal audit monitoring report as circulated with the agenda. He explained that the report was designed to give the committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurance on the control environment, in addition to the Annual Internal Audit Opinion which was

presented at the end of the financial year. Importantly, the service had been through a restructure to ensure that it remained fit for purpose given the various service delivery arrangements that were now in place. The new Audit Cotswolds structure was set out on Appendix A of the report. One box represented an individual and how they might progress, from Assistant Auditor, to Internal Auditor and finally, Senior Auditor. Generalist Practitioners (GP) and Specialist Practitioners (SP) had been split so that the Audit Deputy could manage a highly flexible team. Work placements and Internships had proved useful at authorities including Derby and allowed for new ideas and fresh viewpoints. This innovation was required to meet the need for an increasingly flexible approach. With only 12 officers across 8 clients (as of next year), the GPs would not focus on one particular organisation. In relation to Appendix B, the Internal Audit Progress summary, he explained that the risk management audit had moved on and been replaced by the AG&M review, a brief for which would be tabled for consideration at the extraordinary meeting arranged for the 29 January. Whilst work on GO Shared Services took 90 days, this was because it was undertaken across all clients, and whilst a good relationship had been established with Forest of Dean District Council, this did protract the process, however, there had still been a 50 day saving overall. Moving forward, at this stage, he had no concerns that the plan was not deliverable and in June he would be tabling the 2015-16 plan for consideration by the committee. Counter Fraud activity was a standing item, which would be discussed in greater detail in the next agenda item, but for now it was important to note the recent successes which had seen 100 or so properties recovered and made available for housing.

Members echoed the sentiments of the Chairman in welcoming the inclusion of apprenticeships and the career progression that they offered to young people.

Upon a vote it was unanimously

RESOLVED that the Internal Audit Monitoring Report be noted.

10. COUNTER FRAUD UNIT - AN EVOLUTIONARY APPROACH

The Head of Audit Cotswolds introduced the report, as circulated with the agenda. He explained that with the adoption of the Local Government Fraud Strategy, came the concept of the Department of Work and Pensions (DWP) for a Single Fraud Investigation Service (SFIS) which would take on the benefit fraud investigation work that was currently undertaken by Local Government. The report considered the impact of SFIS, given that the officers currently providing a benefit fraud function, who were some of the most highly skilled fraud officers at the council, would TUPE to DWP on the 1 April 2015. In effect, all revenue funding for benefit administration would be removed by 2016-17, though the expectation of the DWP that local authorities would provide information to aid their investigations would remain, which existing Internal Audit functions did not have the capacity, tools or skills to deliver. The concept for this report was; how do you pay for anti-fraud, a service that may recoup properties, rather than money for the council, a service that needed to be self-financing. At the same time as this, the opportunity to bid for funding from the DCLG to set up a counter fraud unit arose and an initial bid was submitted in September 2014, though this was lost. The DCLG have agreed to consider the bid and a decision was expected by the end of January 2015. The question had remained, if the bid was unsuccessful, how could the council do it. There would

be some residual DWP grant and Cheltenham Borough Homes had been very pleased with some of the recent results of counter fraud work and had therefore agreed that they would be willing to buy the service in the future. The report set out the phased approach that was being proposed, an approach that would evolve slowly were the DCLG bid to be unsuccessful, as a successful bid would accelerate things significantly. He explained how data matching was used to identify fraud and how involving other partners would enable data matching across different areas.

The Head of Audit Cotswolds provided the following responses to member questions;

- Non-benefit fraud included a whole raft of things including accounting, payroll, etc.
- Shared Services could well flush out fraud.
- To start with only housing associations would be included, but that was not to say that private sector businesses wouldn't crop up as a result of data matching and that they may have to answer questions or provide data, but this was outside of the remit for the unit at this time.
- PACE (Police and Criminal evidence) interviewing was the term used for a form of interviewing that could be used as evidence in court.
- It was not always cost effective to take fraud cases to court; sometimes it was enough to stop the fraud itself. A risk assessment would be undertaken and a decision made on a case by case basis.

The Governance, Risk and Compliance Officer explained that there were three policies that would need to be reviewed by Audit Cotswolds and reconsidered by this committee as a result of a Counter Fraud Unit being established; Counter Fraud and Corruption, Money Laundering And Anti – Bribery.

Upon a vote it was unanimously

RESOLVED that the Audit Committee recommend to Cabinet;

- a) That a new Counter Fraud Unit delivered by Audit Cotswolds, the internal audit service provider, be established.**
- b) That an evolutionary approach be given to the development of the Counter Fraud Unit, as outlined in the report.**

11. WORK PROGRAMME

The work programme had been circulated with the agenda and would be updated accordingly following discussions at this meeting.

The Director Resources explained that the work plan for the committee was driven by the statement of accounts and set out what was scheduled for each of the four meetings per year. The Chairman met with Officers to agree the agenda, at the same time as which, he considered the forward plan and whether anything needed to be added to the committee work plan. Members were invited to suggest items for inclusion.

The Chairman asked that the joint governance of shared services training be scheduled for before the decision on 2020 vision.

The Governance, Risk and Compliance Officer highlighted that the annual review of the Risk Management Policy was scheduled for March. Last year the review had involved most members. He highlighted that feedback from the LGA Peer Review was that the policies and processes for risk management were model, with little room for improvement, so his question was, did the committee want to include all members or simply Audit Committee members, Directors and Service Managers. The Chairman confirmed that the level of review undertaken last year had been triggered by a particular issue and that he did not consider it necessary to repeat it again this year.

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

There were no urgent items for discussion.

13. DATE OF NEXT MEETING

The next meeting would be the extraordinary meeting which had been arranged for 5.00pm on Thursday 29 January 2015.

Colin Hay
Chairman