

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

5TH APRIL 2016

Present:

Councillors -

T Cheung
PCB Coleman (from 10.40 a.m.)

R Theodoulou

Substitutes:

SI Andrews

RW Dutton

Apologies:

BS Dare

LR Wilkins

AUD.50 ELECTION OF TEMPORARY CHAIRMAN

In the absence of the Chairman, the Committee was requested to elect a Chairman, to serve for the duration of the Meeting. The Committee Services Manager invited nominations.

RESOLVED that Councillor R Theodoulou be elected Chairman of the Committee for the duration of this Meeting.

Record of Voting - for 3, against 0, abstentions 1, absent 1.

Note:

Councillor Theodoulou then took the Chair.

AUD.51 SUBSTITUTION ARRANGEMENTS

Councillor SI Andrews substituted for Councillor BS Dare.

Councillor RW Dutton substituted for Councillor LR Wilkins.

AUD.52 MINUTES

RESOLVED that:

(a) the Minutes of the Meeting of the Committee held on 5th January 2016 be approved as a correct record;

Record of Voting - for 2, against 0, abstentions 2, absent 1.

(b) the Minutes of the Special Meeting of the Committee held on 9th February 2016 be approved as a correct record.

Record of Voting - for 2, against 0, abstentions 2, absent 1.AUD.53 DECLARATIONS OF INTEREST

There were no declarations of interest.

AUD.54 CHAIRMAN'S ANNOUNCEMENTS

There were no announcements from the Chairman.

AUD.55 PUBLIC QUESTIONS

No public questions had been received.

AUD.56 MEMBER QUESTIONS

No questions had been received from Members.

AUD.57 GRANT THORNTON AUDIT PLAN 2015-16

Mr. J Golding, the Audit Partner for Grant Thornton (the Council's external auditor), was present for this item.

The Committee considered a report detailing plans by Grant Thornton for the external audit work for 2015/16 and Mr. Golding amplified various aspects thereof, including in relation to understanding the challenges faced by the Council; the impact of key developments in the public sector; national audit requirements; the audit process; materiality (a proportion of the gross revenue expenditure of the Council); 'significant' and 'other' risks identified; the scope of the 'group' audit and risk assessment; and value for money.

Mr. Golding drew attention to the results of the interim audit work carried out so far; the key dates in the timetable; and Grant Thornton's independence in its role as the Council's external auditor. Mr. Golding reported that the fee for the audit would be the same as had been charged for the 2014/15 audit, and he commented that this would be the first time in three years that there had not been a reduction in the audit fee. Mr. Golding reminded the Committee that, with effect from the financial year 2017/18, the deadline for the submission of final accounts by the Council would be 31st July and that the Council's reputation could be damaged if that deadline was missed. He stated that he anticipated a positive outcome from the audit and concluded by reminding the Committee that the year-end 'Audit Findings' report would be submitted to a future Meeting.

Mr. Golding and Officers then responded to various questions from Members, including in relation to the Council's pension fund obligations in respect of Ubico Ltd.; virement between budgets; accruals, including holidays; extraction of 'unusual' entries; the 'unders and overs' account; value for money and the bid for unitary authority status; and payroll reconciliation.

RESOLVED that the Grant Thornton Audit Plan 2015-16 be noted.

Record of Voting - for 4, against 0, abstentions 0, absent 1.AUD.58 GRANT THORNTON UPDATE

Ms Michelle Burge, an Assistant Manager for Grant Thornton (the Council's external auditor), was present for this item.

The Committee considered a report detailing progress on the Audit Work Plan 2015/16. Ms Burge amplified aspects relating to progress to date, and apprised the Committee of various emerging issues and developments relating to the Chancellor's Autumn Statement 2015; 'CFO Insights', an on-line analysis tool offering instant access to insight on issues such as the financial performance and service outcomes for every Council in England, Scotland and Wales; various events hosted by Grant Thornton; CIPFA reports and publications, including in respect of the establishment of auditor panels which would be tasked with the appointment of external auditors by 31st December 2016; public rights of inspection and challenge of accounts; the Public Sector Audit Appointments report on auditors' work for 2014/15; 'fair value measurement'; and unlodged non-domestic rate appeals.

Mr. Golding reported that the Council's current contract for external audit services with Grant Thornton was due to expire at the end of the financial year 2017/18, after which time the Council would be able to appoint its own external auditor. Mr. Golding amplified various aspects of this issue and it was noted that a report on the establishment of an Auditor Panel to consider the appointment of the Council's external auditor would be submitted to the next Meeting of the Committee.

RESOLVED that the report be noted.

Record of Voting - for 4, against 0, abstentions 1, absent 0.

AUD.59 GRANT THORNTON ASSURANCE

Mr. J Golding, the Audit Partner for Grant Thornton (the Council's external auditor), was present for this item.

The Committee was requested to consider a draft response to a letter from Grant Thornton dated 1st March 2016 which had sought to establish an understanding of how the Council gained assurance over its management processes and arrangements. The letter had included a questionnaire raising various issues, and the Committee considered the draft responses thereto.

Concern was expressed that changes in the counter fraud regime could result in the prevention of fraud in the Cotswolds not receiving as high a priority under the national single investigation service as it had under the individual local authority service, and it was reported that lobbying to achieve an increase in levels of service would continue. In response to a question from a Member, Officers amplified aspects of a case involving fraudulent payment requests and it was noted that, whilst the investigation was on-going, an internal review had been completed and the processes had been amended to prevent this type of fraud occurring again in the future. Officers also responded to questions from Members in relation to 'litigation or claims' in respect of Land Charges and Royal Mail. In response to questions relating to counter fraud, it was reported that the pilot project had resulted in a strengthening of the control process and had provided a wider resource both for this Council and for partner Councils. It was noted that a report on the establishment of a permanent Counter Fraud team would be submitted to a future Meeting of the Committee.

It was suggested that the draft response be amended by deletion of the word 'complimented' in the third line of the first paragraph of the twelfth question and its substitution by the word 'complemented'; and by deletion of the suggested response in the second paragraph of the twelfth question and its substitution by the word 'yes'.

RESOLVED that the letter of assurance be approved for signature by the Chairman of the Committee on behalf of the Council, as amended.

Record of Voting - for 5, against 0, abstentions 0, absent 0.

Notes:

(i) It was noted that the Acting Chairman of the Committee would sign the letter of assurance in the absence of the Chairman.

(ii) The public and Press were excluded from the Meeting during consideration of the Land Charges litigation issue under Section 100A(4) of the Local Government Act 1972 on the grounds that it involved likely disclosure of exempt information as defined in paragraph (5) of Part I of Schedule 12A to the said Act (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings) and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information concerned.

The Record of Voting in respect of that exclusion was - for 5, against 0, abstentions 0, absent 0.

The Meeting returned to open session following consideration of the issue.

AUD.60 INTERNAL AUDIT MONITORING REPORT

The Committee considered a report summarising work undertaken to date by Audit Cotswolds (Internal Audit), including progress against the current Audit Plan.

The Head of Internal Audit (Operational) amplified aspects of the circulated report, including in relation to progress against each of the auditable areas; the issue of draft reports; assurance levels offered; transactional testing; and an update in respect of counter fraud work.

In response to concerns expressed over capacity issues within Internal Audit, the Head of GO Shared Services (GOSS) explained that the Council was in the process of recruiting to fill some existing vacancies. The Head of GOSS reminded the Committee that Internal Audit staff worked across seven clients, with resources being allocated as detailed in the work plans, and she took the opportunity to congratulate the staff on their performance, particularly in recent difficult circumstances caused by the long-term absence of the Head of Internal Audit. It was requested that an update report on staffing levels be submitted to the next Meeting of the Committee.

Concern was also expressed over the management responses detailed in the Appendices to the circulated report, and Officers responded to those concerns. It was considered that a summary of the recommendations in respect of the audit of

Social Media should have been included in the relevant page at Appendix 'B' to the circulated report; and that Appendix 'D' should be amended to clarify that it referred to work undertaken by the Counter Fraud team.

It was noted that the Committee would be offered awareness training in relation to counter fraud, prior to the counter fraud awareness training plan being rolled out across the Council.

RESOLVED that the report be noted.

Record of Voting - for 5, against 0, abstentions 0, absent 0.

Note:

The Head of GOSS thanked the Internal Auditor for her work in respect of counter fraud.

AUD.61 INTERNAL AUDIT ANNUAL PLAN 2016/17

The Committee considered the Internal Audit Annual Plan 2016/17 and the Head of Internal Audit (Operational) amplified various aspects, including in relation to the background to the Plan; the need for flexibility; the allocation of days to the various audits; annual reviews of core financials and governance areas; the inclusion of risk areas; support for the 2020 Vision Programme; a follow-up of the income streams audit; and contingency. In updating the circulated report, the Head of Internal Audit (Operational) reported that:-

- (i) a period of sixty-three days be allocated to support for the 2020 Vision Programme, rather than the sixty days suggested in the circulated report;
- (ii) a period of five days be allocated for a follow-up audit in respect of flood works.

Officers then responded to various questions from Members on the Annual Plan, including in relation to priority levels; staff resources in Internal Audit; and the impact of the bid for Unitary Authority status.

RESOLVED that the Internal Audit Plan 2016/17 be approved, as amended.

Record of Voting - for 5, against 0, abstentions 0, absent 0.

AUD.62 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 10.00 a.m. and closed at 12.26 p.m.

Chairman

(END)