

## **Minutes of a meeting of the Audit Committee held on 27th November 2014 at Pippbrook, Dorking from 7.00pm to 8.22pm**

Present: Councillors Stella Brooks (Chairman), Mary Cooper and Roger Hurst (Vice Chairman)

### **14. Minutes**

The minutes of the meeting of the Committee held on 25<sup>th</sup> September 2014 were approved as a correct record and signed by the Chairman.

### **15. Apologies for Absence**

Apologies for absence were received from Councillors Tim Ashton, Lynne Brooks and David Preedy.

### **16. Disclosure of Interests**

None declared.

***The Chairman indicated that the Committee would consider Agenda Item 7 – Assessment of the Risk of Fraud across the Council, first. It was also noted by the Committee that questions submitted by Councillor David Preedy (in his absence) would be formally responded to by the Financial Services Manager. The responses would also be circulated to all Committee Members.***

### **17. Assessment of the Risk of Fraud across the Council**

The Committee welcomed Mike Neumann from ITS who was undertaking an assessment of fraud risk at Mole Valley. Members noted that the counter-fraud team at Mole Valley would be moved over to the government's new Single Fraud Investigation Service in October 2015. This would leave the Council with a potential gap in its ability and resource to investigate and tackle fraud.

Mr. Neumann explained to the Committee that he had been working with Mole Valley to examine fraud risks across the organisation; he had been speaking to managers and gauging attitudes to the risk of fraud across different service areas. There would also be a survey of all staff (which had already had a 60% response rate after two weeks) and 'mystery shopping'. Once the assessments had been completed, there would be a preliminary report.

Members requested that they be given copies of the questions from the survey and the results; it was then suggested by Mr. Neumann that Members also be asked to complete the survey. It was also noted that the top three fraud risks for local authorities were in housing allocation/homelessness, NNDR/business rates and employment fraud. It was important that local authorities employed a proactive and holistic approach to the investigation of fraud in order to make sure that all aspects of risk were taken into account. There were also a number of ways in which local authorities could tackle issues such as employment fraud through training, management awareness and robust recruitment and resources procedures.

The Committee asked that Mr. Neumann attend the next meeting of the Audit Committee in March 2015 and present his initial findings; it was felt that it would also be useful for him to attend a future meeting of the Scrutiny Committee.

**RESOLVED:** That

1. the on-going Fraud Risk Assessment being undertaken at the Council be noted; and
2. the Committee be updated on the preliminary findings of the Fraud Risk Assessment at the meeting to be held on 12<sup>th</sup> March 2015.

### **18. 2013/14 Annual Audit Letter**

The Committee received the report as set out on pages 5 to 14 of the agenda which asked it to consider the contents of the 2013/14 Annual Audit Letter.

Jamie Bewick from Grant Thornton was in attendance at the meeting to answer any queries Members may have had with regards to the letter. The audit conclusions gave an unqualified opinion on the accounts, which was a true and fair view of the Council's financial position as at 31<sup>st</sup> March 2014 and of income and expenditure for the year, and an unqualified Value for Money conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Mr Bewick went through the four recommendations as set out in the report for internal controls; these included enhancing control around journals, handover procedures between the previous and new project manager for production of the accounts, self authorisation of purchase orders and lastly noting the more stringent requirements around capital accounting.

Members asked for clarification on final fees charged by Grant Thornton and whether there would be additional costs related to changes being made as a result of the four recommendations in the report; the additional costs would be reported back to the Committee in March 2015, and it was confirmed that Grant Thornton's fee (£77,190) was inclusive of their work on housing benefits.

**RESOLVED:** The Committee noted the contents of the 2013/14 Annual Audit Letter for publication on the Council's website.

#### **19. Internal Audit Progress Report November 2014**

The Committee received the report set out on pages 15 to 34 of the agenda, which asked it to note the progress against the 2014/15 Audit Plan, and approve the proposed minor alteration to the plan.

Karen Williams of Baker Tilley was in attendance at the meeting to take Members through the report and answer any questions raised at the meeting. Members had various queries relating to different sections of the report and service areas. It was noted that the audit of Individual Electoral Registration (IER) would be deferred into 2015/16.

Members examined each section of specific internal audit work:

##### Newdigate Housing Nominations

It was agreed that full and detailed records should be made of all correspondence and conversations, and more detailed guidance for teams leading the assessments could be provided.

##### Car Parking Income

The accuracy and variance in amounts recorded by the parking machines, the procurement of a Surrey-wide cash collection contract and control of keys were all discussed by the Committee.

##### Telecare

Whilst there was a good control framework in place, it had been felt that there were some areas that needed additional work, i.e. disaster recovery, stock controls and pursuing of owed income.

##### Property Maintenance

A number of issues had been identified for further work, including the need for an overarching asset management programme, formulation of a maintenance programme, separation of duties for authorisation and ordering an contract standing order expiration.

Medium Term Financial Strategy

It was explained to Members that there would be merit in future versions of the MTFS identifying and quantifying risk for those elements of the strategy where the risk appetite and level of risk exposure could be defined and where appropriate mapped to mitigating actions were already in place or planned, and the mapping of strategic financial risks within the Council's risk management framework. This would improve the Council's governance and assurance processes.

**RESOLVED:** The Committee noted the progress against the 2014/15 Audit Plan and approved the proposed minor alteration to the Plan.

**20. Treasury Management Mid Year Monitoring Report 2014/15**

The Committee received a report set out on pages 35 to 50 which asked it to note the Treasury Management Mid Year Monitoring Report for the period ended 30<sup>th</sup> September 2014, and commend the report to Council, making any relevant recommendations and observations as Members saw fit.

The report outlined the performance of the Treasury Management function of the Council for the six months ending 30<sup>th</sup> September 2014. It provided an update on the economic conditions affecting Treasury Management decision making and looked ahead to future reporting requirements.

Members noted that the Council continued to be debt-free and that there had been no breaches of treasury management activities. Investments in the CCLA property fund were also doing very well.

Members were pleased to note the report, and felt that in future reports it would be useful to have more information about the UK property market as opposed to international financial information, as that was likely to affect the Council's investments to a greater extent. Members noted that Capita would be attending the next meeting of the Audit Committee to talk about the CCLA in more detail.

**RECOMMENDED TO COUNCIL:** The Council is asked to

1. note that the Audit Committee received the Treasury Management Mid Year Monitoring Report 2014/15 for the period ended 30<sup>th</sup> September 2014; and
2. approve the Treasury Management Mid Year Monitoring Report 2014/15.

*Following conclusion of consideration of business on the agenda, the members of the Committee discussed the findings of a meeting held at Pippbrook with representatives from the Audit Committees of Surrey County Council and other Surrey District Councils, which had been organised by Grant Thornton. It was agreed that the findings would be discussed with other Committee members at the next meeting of the Audit Committee on 12<sup>th</sup> March 2015.*

Chairman.....

Date: .....