

# **Minutes of a meeting of the Audit Committee held on 30<sup>th</sup> June 2016 at Pippbrook, Dorking from 7.00pm to 9.20pm**

Present: Councillors Paul Kennedy (Chairman), Simon Ling (Vice-Chairman), Simon Edge, Paul Elderton, Paul Newman and James Friend.

## **5. Minutes**

The minutes of the Audit Committee meeting held on 24<sup>th</sup> May 2016 were approved as a correct record and signed by the Chairman.

## **6. Apologies for Absence**

Apologies for absence were received from Councillor Tim Ashton.

## **7. Disclosure of Interests**

None declared.

## **8. Statement of Accounts 2015/16**

The Committee received the Council's draft Statement of Accounts 2015/16 and Annual Governance Statement 2016, and were asked to note the contents of these papers, prior to their submission to the Auditors, Grant Thornton, by 30 June 2016. The Chairman highlighted that there had been an informal opportunity for Members of the Committee to be briefed on the accounts prior to their submission.

The Financial Services Manager explained the structure of the accounts and the requirement to comply with CIPFA standards in terms of presentation. Janette Gill, Interim Chief Accountant, was welcomed to the meeting to support the discussion.

Members were advised that the Accounts did not require formal approval at this stage, but best practice dictated that the Committee should have sight of the first draft before the External Auditor's review. The Accounts were scheduled to return to the Audit Committee for scrutiny and authorisation at its next meeting on 22 September 2016.

The Chairman welcomed Trevor Greenlee from Grant Thornton to the meeting and Members' attention was drawn to Annex B of the report, which provided the Committee with a progress report and update of the delivery of the Auditor's responsibilities. Mr Greenlee advised that there were no areas of concern to draw to the attention of the Audit Committee at this stage. Following receipt of the Council's draft financial statements by 30 June, Grant Thornton would be visiting Pippbrook during July 2016 to carry out the final audit of the 2015/16 accounts. Comments were made on Annex B, with Members requesting additional information to be included in the report to ensure that it provided Mole Valley taxpayers with adequate assurance of the arrangements and systems in place.

Members discussed the content of the draft accounts and asked for further clarification on a number of issues. These were agreed to be provided by the Financial Services Manager and the Interim Chief Accountant with amendments being made to the accounts as necessary. It was agreed that additional explanation be given in relation to the pie chart on page 4 of the draft accounts in relation to the portfolios held by Executive Members during 2015/16. It was also agreed that all references to 'Claire and James House' be amended to refer to 'Claire House' and 'James House' as individual assets.

The capacity and preparedness of the Accounts Team to progress to the earlier closure of accounts required in 2017/18 was raised. Mr Mitchell reported that a detailed list of closure tasks and timings had been monitored during the process. Following the Audit, this would be reviewed to assess the areas in which improvements were required and how these could be achieved.

The Annual Governance Statement was discussed. It was agreed that consideration would be given to updates being made in the version to be submitted to the September Audit Committee. The first area relates to the potential inclusion of further information on Strategic Risk, and the second to the potential inclusion of the Internal Audit opinion in their Annual Report, due to be discussed at Audit Committee in September.

**RESOLVED:**

1. That the Council's Draft Statement of Accounts 2015/16 and Annual Governance Statement, be submitted to the Auditors, Grant Thornton, in line with the statutory deadline of 30 June 2016; and
2. The update from the External Auditors, Grant Thornton, be noted.

**9. Internal Audit – progress report on 2015/16 Audit Plan**

The Chair welcomed Karen Williams, RSM UK, to the meeting. Ms Williams introduced the report, advising that eleven reports had been finalised since previously reported to Audit Committee in November 2015. The Committee discussed the contents of each report and a number of questions were asked for clarification to which Ms Williams provided a response.

With regards the internal audit of PCI (Payment Card Industry) compliance, assurance was given by the Financial Services Manager that procedures were being amended in compliance with the PCI standard. It was noted that a repeat audit in December 2016 is scheduled to ensure the appropriate arrangements are in place.

Members made general observations on the content of the report and asked that future reports include more detailed summary information, and timescales that ensure a timely response in relation to the actions identified.

Ms Williams advised that she would shortly be reviewing progress on the 2015/16 audits and would provide an update at the Audit Committee.

**RESOLVED:** That the progress against the 2015/16 Audit work plan be noted.

**10. Audit Committee Annual Report**

The Committee considered the report which asked it to note the progress made against the 2015/16 work plan, review the Committee's Terms of Reference, and approve the proposed work plan for 2016/17.

The Committee discussed the Terms of Reference and agreed that it would be useful to undertake a mapping exercise to ensure they mapped effectively to the work plan. It was requested that regular briefings be provided to the Committee on areas within the Audit Committee's Terms of Reference, which was left with the Financial Services Manager to progress.

**RESOLVED:**

1. That the progress against the 2015/16 work plan be noted.
2. To note that no updates are required to the Terms of Reference. Having reviewed its terms of reference, the Committee were satisfied that the audit functions of the Committee, as set out, were effectively discharged during 2015/16.
3. That the work plan for 2016/17 be approved.

**11. Counter Fraud Policies**

The Council's Fraud Manager, Steve Baker, advised the Committee that the Policies have been updated to reflect a number of changes, including a shift in responsibility for Housing Benefit Fraud from individual local authorities to the Central Government Single Fraud Investigation Service (SFIS). The Policies had previously been discussed by the Audit

Committee in November 2015, and had subsequently been discussed at the Staff Consultative Forum. The main changes were summarized in the report.

The Committee made a number of observations on both the Anti-Fraud and Anti-Corruption Policy and the Prosecution and Sanction Policy. Members agreed to provide Mr Baker with any further comments and observations by 5 July. On the basis of any comments being incorporated, the Committee gave their agreement for these two policies to be recommended to the Executive for approval.

Mr Baker advised the Committee that, since the Whistleblowing Policy had been submitted to the Audit Committee for consideration, it has been agreed that the scope of the Policy should cover MVDC employees only and not apply to members of the public. Issues raised by members of the public were dealt with under the Council's procedure for complaints. The Committee agreed that this was a material change to the Policy and therefore asked for the Whistleblowing Policy to be brought to the Audit Committee in September for further consideration.

**RESOLVED:**

1. That the Anti-Fraud and Corruption Policy and the Prosecution and Sanction Policy be recommended to the Executive for approval.
2. That the Whistleblowing Policy be redrafted and brought back to Audit Committee in September 2016.

**12. Procurement Policy and Principles**

The Financial Services Manager advised that the Policy and Principles set out in the report provided an update to the previous Policy that was introduced in 2008. There have been a significant number of changes in procurement legislation and rules since then, and an internal audit of procurement highlighted the need to refresh MVDC arrangements. It was noted that the Policy was previously discussed by the Audit Committee in November 2015.

It was noted that the previous report to the Audit Committee in November 2015 made reference to the establishment of a Procurement Board, and that draft Terms of Reference had been proposed. The Financial Services Manager advised that this has been superseded and that the proposal for a Board remained but the Terms of Reference are under development.

The Financial Services Manager confirmed that previous advice that the Policy should be submitted to Council for approval had been revised and the Policy would now be recommended to the Executive for approval.

The Committee made a number of observations on the Procurement Policy and Principles and agreed to provide Mr Mitchell with any further comments and observations by 5 July. Once these have been incorporated, the Committee gave their agreement for the policy to be recommended to the Executive for approval.

**RESOLVED:** That the Procurement Policy and Principles be recommended to the Executive for approval.

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Chairman

Date: