

Minutes of a meeting of the Audit Committee held on 22nd September 2016 at Pippbrook, Dorking from 7.00pm to 8.30pm

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

13. Minutes

The minutes of the Audit Committee meeting held on 30th June 2016 were approved as a correct record and signed by the Chairman.

14. Apologies for Absence

None received.

15. Disclosure of Interests

Councillor Paul Kennedy declared a non-pecuniary interest in agenda item 6, possessing a Fusion Lifestyle membership.

16. Statement of Accounts 2015/16

The Committee received a report as set out on pages AC1 to AC106 of the agenda, which asked it to approve the 2015/16 Statement of Accounts and Annual Governance Statement, to delegate responsibility to the S151 Officer to address any minor amendments before completion of the Audit, and to approve the letter of representation from the Council to Grant Thornton in relation to the 2015/16 Audit.

The draft Statement of Accounts had been presented to the Committee at its meeting on 30 June 2016 for review. Since that meeting a number of changes had been made to the draft version. These changes were outlined in a summary sheet tabled at the meeting, and given further explanation by the Financial Services Manager.

A draft summary of Grant Thornton's Audit findings had been submitted alongside the report. A small number of procedures were still to be carried out, but the audit was now substantially complete. It was noted that the Auditors anticipated issuing an unqualified opinion on the Council's financial statements. Subject to approval by the Committee, the Statement of Accounts would be published in line with the statutory deadline of 30 September 2016. A version of the Statement of Accounts would be posted on the Council's website.

Representatives from Grant Thornton were in attendance at the meeting to present their key findings. It was reported that the Council's statements had been produced to a high standard, with only a small number of adjustments required. In addition, the auditors were satisfied that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The summary document provided details of one significant matter discussed with management in relation to provision for business rate appeals, although the Committee were advised that the auditors were satisfied with the Council's justification for the estimate given, which had not been materially misstated.

Appendix A of the report contained a draft Action Plan which identified five areas classified as 'high priority'. Members queried why the Plan contained only high priority items, and also why the plan did not include management responses. The representatives from Grant Thornton explained that the five areas identified all involved a significant effect on the Council's control system, and as such all currently merited this classification, though the recommendations would be kept under review and re-categorised where necessary. The Financial Services Manager advised that management responses would be included in the next report to be brought before the Audit Committee in November 2016.

A Member of the Committee asked about the content of the letter of representation, which appeared to be quite detailed and extensive. The external auditor confirmed that the letter of

representation was "boilerplate" and as such, the lack of customisation actually indicated a successful outcome for Mole Valley.

RESOLVED: The Committee

1. Approved the Audited Statement of Accounts 2015/16 and Annual Governance Statement, and delegated responsibility to the S151 Officer to address any minor amendments required before completion of the Audit.
2. Approved the letter of representation in relation to the 2015/16 Audit Plan.
3. Noted the External Auditors' findings for the year ended 31 March 2016.

17. Internal Audit Annual Report 2015/16

The Committee received a report as set out on pages AC107 to AC121 of the agenda, which asked it to note the Internal Audit Annual Report 2015/16. The report provided Members with an update on the 2015/16 programme and outlined the progress made against the audit plan. Karen Williams from RSM was in attendance at the meeting to present the report.

The report concluded that the Council has in place an adequate and effective framework for risk management and control. Of the thirteen reviews undertaken during 2015/16, only one had been categorised as RED under the 'traffic light' scoring system, with the remainder categorised either as GREEN or AMBER/GREEN. This represented a good outlook in terms of the level of assurance for the Council's Senior Management Team.

The report provided a summary of the Council's progress in implementing the follow up actions agreed to address previous years' internal audit findings. Members expressed concern at the speed of implementation relating to some of the actions, although the Financial Services Manager advised that eight of the ten actions highlighted in the report as 'not implemented' had since been completed, whilst the remaining two had been noted and would be addressed in due course.

The Committee expressed disappointment that the report highlighted there had been no response received to post assignment surveys issued to the Council's management. Whilst the internal auditor confirmed that response to these surveys was voluntary, the Committee suggested that providing a response formed an important part of the review process, and therefore requested that in future this should be listed as a performance indicator alongside the existing indicators outlined in the report.

RESOLVED: The Committee noted the Internal Audit Annual Report 2015/16.

18. Internal Audit Progress Report: September 2016

The Committee received a report which asked it to note the progress against the 2016/17 Audit Plan (first quarter).

The report contained a summary and action plan relating to an audit of the Council's contract management arrangements with Fusion Lifestyle. It noted that whilst the contract was managed well from an operational perspective, it would benefit from more strategic oversight. A discussion followed regarding the effectiveness of having a dedicated team responsible for ongoing contract management, or whether the current system of contracts being managed at service level ensured that those with the skills and knowledge relevant to the specific area could manage them satisfactorily. The Committee noted that contract procurement was not an issue arising from the report, but ongoing management of contracts was an area that required attention.

The Committee considered the areas of assignment which the internal auditors would be reviewing in the immediate future. Three draft reports in relation to Licensing, Car Parking and Telecare had already been completed and passed to management for review. Members expressed concern that a review of HR Management had been deferred to 2017/18 at the request of management, and queried whether such a deferral constituted a change to the

Audit Plan which should have required Committee approval. The Internal Auditor explained that at the time the report is published the dates for review are aspirational rather than fixed, and wherever possible they seek to work flexibly with management to carry out the review at a convenient time for the service area concerned. The Committee were given assurance by the auditor that the deferral of the HR review was justified due to internal pressure on staff rather than unnecessary procrastination, and as such the delay did not in the view of the auditor create any additional risks. On this basis, Members asked for it to be noted that the Committee formally approved the deferral of the HR Management Review to 2017/18.

RESOLVED: The Committee noted the progress against the 2016/17 Audit Plan (first quarter) as detailed in the appendix.

19. Whistleblowing Policy

The Committee received a report which asked it to consider the revised and updated Whistleblowing Policy and recommend it to Executive for approval. A number of amendments had been made to the policy in order to reflect the views of the Audit Committee previously expressed at its June meeting.

Members welcomed the amendments but some remained concerned that the wording of the policy could still result in individuals holding unrealistic expectations in respect of the protections they would be afforded from the Council if they chose to blow the whistle. The Committee acknowledged that striking the right balance between encouraging whistleblowing and being able to guarantee satisfactory protections for those that did was not easily achieved. The Deputy Chief Executive explained that considerable effort had been put into making the policy as strongly worded as possible in relation to employee protections within what the law permits. Given that assurance, the Committee were encouraged to approve the policy in its current form, on the understanding that a commitment was made to liaise with the Legal Services team to see if anything further could be done to strengthen the wording around employee protections.

RESOLVED: The Committee approved the revised and updated Whistleblowing Policy and recommended it to the Executive for approval.

20. Treasury Management - Annual Report and Prudential Indicators 2015/16

The Committee received a report which asked it to recommend to Council that the Treasury Management Annual Outturn Report for 2015/16 be noted and the actual Prudential Indicators for 2015/16 as detailed in the appendix be approved.

The Financial Services Manager explained that as Mole Valley District Council has not been a borrowing authority since the introduction of Prudential Indicators 15 years ago, large sections of the information on Prudential Indicators within the report did not apply in respect of the current financial position. Given that the authority had signalled an intention that its position regarding borrowing was likely to change over the coming year, Members were advised that the next report it will receive at the November meeting of the Audit Committee would outline in greater detail the implications of any proposed borrowing in respect of the Prudential Indicators.

A Member of the Committee commended the Council's Treasury Management Officers on achieving a good return on Mole Valley's investments in light of current record low interest rates.

RESOLVED: The Committee recommended to Council:

1. That the Treasury Management Annual Outturn report for 2015/16 be noted.
2. That the actual Prudential Indicators reported for 2015/16, as detailed in the appendix, be approved.

21. Audit Committee Terms of Reference Update

The Committee received a report which asked it to note updates provided against each of its terms of reference.

The Financial Services Manager explained that the report had been produced in response to a request at the June meeting of the Audit Committee to provide clearer assurance that the Committee was discharging its functions effectively.

Members welcomed the additional information provided and thanked Officers for the work involved in producing the report.

It was suggested in relation to the Committee’s duty to monitor the Council’s financial risk management arrangements that it would be useful to arrange a Member seminar to provide better understanding in this area. The Deputy Chief Executive confirmed that a seminar had been held approximately two to three years ago on this subject, and therefore a refresh would be timely. It was suggested that a date prior to the March meeting of the Audit Committee would be an appropriate time to hold the seminar.

RESOLVED: The Committee noted the updates provided against each of its Terms of Reference.

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Chairman

Date: