

Minutes of a meeting of the Audit Committee held on 26th November 2015 at Pippbrook, Dorking from 7.00pm to 8.47pm

Present: Councillors Stella Brooks (Chairman), Simon Ling (Vice-Chairman), Tim Ashton, Paul Elderton,

1. Minutes

The minutes of the meeting of the Committee held on 17 September 2015 were approved as a correct record and signed by the Chairman.

2. Apologies for Absence

Apologies for absence were received from Councillor Duncan Irvine and Councillor Michelle Watson.

3. Disclosure of Interests

None.

4. 2014/15 Statement of Accounts: The Annual Audit Letter

The Committee received the report as set out on pages 1 to 10 of the agenda which asked it to note the contents of the 2014/15 Annual Audit Letter.

Matt Dean from Grant Thornton was in attendance at the meeting to present the letter and respond to any queries. The audit conclusions gave an unqualified opinion on the 2014/15 financial statements which provided a true and fair view of the Council's financial position as at 31st March 2015 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.

Members noted that the letter contained management/officer responses to the recommendations emanating from the 2014/15 audit, and asked Mr Dean whether the Council's responses would adequately resolve the issues identified in a timely manner. Mr Dean confirmed that Grant Thornton were satisfied with the Council's responses to the recommendations and would be working closely with the relevant officers over the coming months to ensure that the necessary actions would be taken.

It was noted that a shorter timescale for the preparation of the Council's financial statements would apply from 2017/18, and arrangements were currently being put in place to carry out a trial-run working to the revised timetable next year, in order to aid preparations for a smooth transition to the new arrangements.

RESOLVED: The Committee noted the contents of the Annual Audit Letter 2014/15.

5. Internal Audit Progress Report: November 2015

The Committee received the report as set out on pages 11 to 35 of the agenda, which asked it to note the progress against the 2014/15 and 2015/16 Audit Plans.

Chris Harris from RSM was in attendance at the meeting to take Members through the report and answer any questions raised. The report provided Executive Summaries and Key Findings for the assignments completed from the 2014/15 plan, and a summary update on progress against the 2015/16 plan, which was approved by the Committee at its meeting on 12 March 2015. Of the nine "traffic light" opinions delivered by RSM since March 2015, five had been accorded GREEN status, with the other four accorded AMBER/GREEN status. The main findings,

recommendations and management actions for each review were detailed in the report.

Members welcomed the largely positive findings within the report, but suggested that it would be useful for a brief definition/summary for each of the relevant 'Assignment' areas to be provided in future, to aid Members' understanding of the work involved and to clarify how the traffic light grading system is determined.

RESOLVED: The Committee noted the progress against the 2014/15 and 2015/16 Audit Plans as detailed in Appendix 1 of the report.

6. Annual Counter Fraud Report

The Committee received the report as set out on pages 36 to 91 of the agenda, which provided a review of the issues and developments in counter fraud at Mole Valley District Council during the past year and explained the next stage of the Council's counter fraud strategy in response to the Government's changes on benefit fraud.

The draft revised Anti Fraud and Corruption Policy, the draft Prosecution and Sanctions Policy and the draft Anti Fraud and Corruption Strategy were each presented for the Committee's consideration. Taking on board feedback from the Audit Committee, it was intended that the three statements would then be discussed at the Staff Consultative Forum before returning to the Audit Committee in the New Year with a recommendation that the statements be approved by Council. Members commented that a significant number of track changes were included in the draft statements which made the key areas of change difficult to identify, and therefore requested that a summary of the key changes be provided when the report returns to the Committee in the New Year. Members also asked officers to look at the possibility of amalgamating the statements into a single document in order to reduce volume and duplication.

Members noted that Paragraph 6 of the report referred to a Fraud Risk Analysis commissioned and carried out by ITS Ltd. Whilst the Committee had received a summary of the consultant's initial impressions at its meeting of 27 November 2014, Members had not seen the consultant's final report. The Financial Services Manager undertook to circulate the report to Members of the Committee after the meeting.

The Committee then received a presentation from the Council's Fraud Manager which began with an explanation of what constitutes fraud according to the 2006 Fraud Act. Members were given an insight as to how Mole Valley's fraud investigations team categorises and prioritises cases according to careful determination of the risk(s) they present, whilst a number of success stories were highlighted. The Committee were advised that the centralised Single Fraud Investigation Service (SFIS) had launched at the beginning of November. To date the Council had referred approximately 10 cases to SFIS but was yet to hear back from the service in relation to any of them. Members expressed concern that the centralisation of this service appeared to be amounting to a reduced capacity to investigate at a local level, and felt that close monitoring of the new arrangements would be important. In response to a request from the Chairman, the Fraud Manager undertook to provide periodic updates to the Committee on the number of cases referred to and investigated by SFIS.

RESOLVED: That:

1. The Annual Report on counter fraud activity be noted
2. The Action Plan be approved; and
3. The Committee's feedback on the revised and updated Draft Anti Fraud and Anti Corruption Policy, Draft Prosecution and Sanction Policy and Draft Anti Fraud and Anti Corruption Strategy be noted

7. Progress on Procurement

The Committee received the report as set out on pages 92 to 108 of the agenda. The Financial Services Manager explained that following a recommendation from the Internal Auditor, procurement had been newly added to the list of areas subject to annual updates to the Audit Committee.

The Committee noted the four Performance Indicators, as recommended by Internal Audit, which were designed to enable Members to gauge the effectiveness and improvement of Procurement. The Committee also discussed the Council's draft Procurement Policy which set out the high level Procurement action plan for the next two years. It was explained that the Committee's comments on the draft Policy would be incorporated within a revised version to be presented back to the Committee next year, prior to approval by Council.

RESOLVED: That

1. The Progress Report on the Council's Procurement Function be noted and approved
2. The proposed Performance Indicators in Paragraph 18 of the report be approved
3. The draft Corporate Procurement Policy at Annex A be considered

8. Treasury Management Report

The Committee received the report as set out on pages 109 to 129 of the agenda, which outlined the performance of the Treasury Management function of the Council for the six months ending 30th September 2015.

The Committee noted that all treasury related transactions were undertaken by authorised officers and within the limits approved by the Council, all investments were to counterparties on the approved lending list, and that the Council had operated within the Prudential Indicators for Treasury Management.

Members raised a number of queries in relation to figures contained within the Key Prudential Indicator tables. The Financial Services Manager undertook to respond to the relevant Members following the meeting, and to make any corrections as necessary prior to the commendation of the report to Council.

RESOLVED: That

1. The Treasury Management Mid Year Monitoring Report for the period ended 30th September 2015 be noted.
2. The report be commended to Council.

9. Urgent Items – Convening an additional meeting of the Audit Committee

The Chairman agreed to table an Urgent Item to discuss the need for an additional meeting of the Audit Committee to be convened in February 2016. This need had arisen because the Council's Treasury Management Strategy had to be approved before 31st March 2016, and the Audit Committee were required to recommend the Strategy for approval to Council at the next scheduled Council meeting on 23 February 2016. An additional meeting would also provide the opportunity for the other policies and strategies discussed during the current meeting to be recommended for approval by Council.

RESOLVED: That an additional meeting of the Audit Committee be convened for a date to be confirmed in February 2016.

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Chairman

Date: