

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 4th February, 2016, 2.30 pm

Councillors: Brian Simmons (Chair), Andrew Furse and Eleanor Jackson (In place of Chris Dando)

Independent Member: John Barker

Officers in attendance: Andy Cox (Audit Manager), David Waters (Financial Policy & Fund Manager), Gary Adams (Finance and Resources Manager), Lynn Cary (Senior Customer Services Officer) and Robert John (Customer Services Team Leader)

Guests in attendance: Barrie Morris (Grant Thornton)

77 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

78 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

79 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Chris Dando, for whom Eleanor Jackson substituted.

80 DECLARATIONS OF INTEREST

There were none.

81 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

82 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

83 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Members thanked Arlingclose and officers for the extremely helpful training session on Treasury Management that had preceded the meeting.

84 MINUTES: 8TH DECEMBER 2015

These were approved as a correct record and signed by the Chair.

85 EXTERNAL AUDIT UPDATE REPORT

Mr Morris presented the report. He updated the Committee on two matters.

A. Grant Certification Report

He drew attention to the letter attached as Appendix 1 to the report, relating to the Housing Benefit Return. The letter identified a number of areas where errors had been made. This work is undertaken on behalf of the Department of Work and Pensions and has to be done according to a prescribed process. There is no materiality limit, so all errors have to be reported. The level of errors found this year had been higher than expected. However, it had been agreed with officers that there would be no additional audit fees this year on the basis that training was provided to relevant Council staff very late in the 2014/15 financial year.

A Member suggested that the errors were minimal in terms of their number and average value when compared with the total HB budget of nearly £55m. It was also the case that applicants made many more errors than Council staff. Mr Morris agreed, but explained that an amendment was only made when the value of an error could be fully quantified. If the number of cases to be reviewed was less than 100, then every single case was examined. Above that figure, extrapolation was applied. When extrapolation is used, the value of errors cannot be quantified. Error rates were high, so the total value of errors could be much higher than the stated figure. He emphasised that it is the number of errors and the error rates that are important.

A Member said that regardless of who was responsible for the error, it could be a tough challenge for low-income people to have to repay overpayments, even if this was spread over a long period.

Members put questions to the Customer Service Team:

Q: were they considering improving the HB application forms?

A: the forms have been shortened.

Q: did they give assistance to customers with reading difficulties?

A: a lot of work has been focussed on face-to face delivery, communication and understanding customers' circumstances.

Q: Can claims be made online?

A: No, but they can be made over the telephone.

Q: how many claims accounted for the £55m HB expenditure?

A: 9834.

Q: How long does it take to process a claim?

A: 45 minutes. Payment is made within seven days.

A Member asked whether Internal Audit had done any work on HB claims. The Audit Manager replied that Internal Audit had just completed an audit of the processing of HB claims and overpayments. The final report had been issued in January and had given an overall rating of level 3 "satisfactory". Two of the areas reviewed, including "claimants do not suffer financial loss" had been rated "good". The control objective in relation to HB overpayments had received a "satisfactory" rating. Management had responded positively to the audit recommendations. Nationally HB

overpayments had increased significantly. Increases in overpayment in B&NES were in line with the national trend. In response to a request from the Chair he agreed to circulate the report to Members.

Responding to a Member, Mr Morris said that the external auditors were satisfied with the actions the Council was taking to address the issues identified with HB claims.

B. External Audit Update

Mr Morris commented on the Committee Update paper (Appendix 2). He advised that the accounts audit plan would be tabled at the next meeting. The National Audit Office had assumed responsibility for setting the criteria for value for money. He provided copies of a document summarising their new approach to Members: this is attached as an appendix to these minutes.

A Member said that he would welcome a demonstration of CFO Insights, as offered in the update report (agenda page 27).

Mr Morris drew attention to:

- the CIPFA guidance on the establishment of auditor panels (agenda page 28)
- the CIPFA/HFMA report on the Better Care Fund (agenda page 28)
- the updated version of *Council accounts: a guide to your rights* now available on the NAO website
- changes in accounting for Highways Network Assets (agenda page 33)

The Chair noted that usually one objection to the Council's accounts is received every year, but that none was received last year.

In response to a question from a Member, the Corporate Finance Manager assured the Committee that work was in progress to value the Council's assets in accordance with IFRS 13 (agenda page 32).

Members raised concerns about the valuation of highway assets. One Member wondered whether the susceptibility to flooding of some roads, as in the Chew Valley, would be taken into account. Another noted that highway assets ranged from roads like the A46 and A4, in which the Government was unlikely ever to invest, and village roads. He thought it would be very difficult to put a book value on these assets. The Council might have a view of the value of a road investment that differed from its bare cost; there might be benefits, in terms of jobs and housing that justified a particular highways project. Another Member suggested that since the Council was not going to build a new road and sell the old one, it would be better to account for roads in terms of the ongoing liability for maintenance costs.

A Member referred to the Better Care Fund (agenda page 34), noted that the Clinical Commissioning Group had a looming funding shortfall by 2020 and wondered whether this would mean deficits in these budgets. Mr Morris replied that his focus

was on the accounting issues; he was unable to predict what the funding situation would be. Another Member asked whether the auditors might be required to certify that social care funds were being properly applied. Mr Morris said that there was no indication at present that they would be required to do so. The Corporate Finance Manager advised that the social care budget was ring-fenced.

RESOLVED to note the report and updates provided by the External Auditor.

86 TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY

The Corporate Finance Manager presented the report. He reminded Members that the 2016/17 Treasury Management Strategy and Investment Strategy would be presented to Council for approval on 23rd February. He summarised the two strategies. He said that it remained the aim to postpone borrowing for as long as possible by using cash flow to fund the capital programme.

RESOLVED to approve:

1. the actions proposed within the Treasury Management Strategy Statement;
2. the Investment Strategy as detailed in Appendix 2.

87 ANNUAL GOVERNANCE REVIEW

The Audit Manager presented the report. The requirement of the Accounts and Audit Regulations 2015 to publish the Statement of Accounts earlier from 2017/18 was highlighted, i.e. 31st July 2018 rather than the end of September. It was stated that the governance review, carried out to produce the Annual Governance Statement, was already being carried out to comply with the revised timescale.

He drew attention to the criteria for 'significant' issues set out in paragraph 4.7. and in particular commented on the 'Public Interest' criteria.

The meeting ended at 3.51 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services