

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

30 JANUARY 2020

Present:

Councillors

Patrick Coleman

Chair

Nick Maunder

Ray Theodoulou

Richard Morgan

Apologies: Roly Hughes

Observers: Mike Evemy, Tony Dale, Stephen Andrews, Joe Harris (left 5.00pm)

AUD.41 SUBSTITUTION ARRANGEMENTS

There were no substitute arrangements.

AUD.42 DECLARATIONS OF INTEREST

There were no declarations of interest under the Code of Conduct for Members or Section 106 of the Local Government Finance Act 1992.

There were no declarations of interest under the Code of Conduct for Officers.

AUD.43 MINUTES

RESOLVED that the Minutes of the Meeting of the Committee held on 14 November 2019 be confirmed.

Record of Voting - for 4, against 0, abstention 0, absent 1.

AUD.44 CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

AUD.45 PUBLIC QUESTIONS

No public questions had been received.

AUD.46 MEMBER QUESTIONS

No Member questions had been received.

AUD.47 INTERNAL AUDIT MONITORING REPORT

The Senior Auditor was introduced to the Committee. At future Committees he may substitute for the Assistant Director of SWAP. Officers presented the report

and explained that this was a quarterly update. Five audits had been finalised since the last update and the next meeting would receive a follow-up report for procurement.

Questions from Members were responded to as follows:

- (i) Waste and Recycling Service Redesign took place in 2018. The internal audit review found that governance arrangements for the Waste and Recycling redesign project had not been supported by the use of best practice in project management principles, ultimately this resulted in costs being under valued when presented to Cabinet and Council for decision making.

The Committee were concerned that this situation would happen again and sought assurance on the application of good project management in the future. The Chief Finance Officer explained that improvements to project and programme management were being implemented which would reduce this risk in the future.

The Commissioning team were undertaking a review to understand the issues and lessons learnt from the outcome of the internal audit review. In future Ubico would be expected to present information correctly. The Chief Finance Officer explained that the level of scrutiny taking place on the contract has increased and monthly financial reports were provided by Ubico, moving forward better procedures and governance should be in place improving the quality of information presented to Cabinet and Council.

The Chair proposed to thank the Auditors for their work and to draw the findings to the Cabinet Member and Full Council. This was seconded by Councillor Morgan.

- (ii) 2018/19 Section 106 Agreements and Funds Audit. Members queried whether there was a report on the monies spent or paid back to developers. Overview and Scrutiny Committee had received a report at their Committee in December 2019 and a proposal was being drafted, for reporting monies received from agreements. The Chairs of Overview and Scrutiny Committee and Audit Committee would discuss whether there were responsibilities for each Committee to look at process and improvement.
- (iii) 2018/19 Human Resources (Sickness Absence) and Safeguarding. There were outstanding recommendations. Officers explained that work on this was ongoing and would be raised with the Publica Directors.
- (iv) The outcome of the audit on cyber security will be presented to the next meeting in April.

RESOLVED that the report be noted and the Internal Auditors be thanked for the work on audits.

Record of Voting - for 4, against 0, abstentions 0, absent 1.

AUD.48 KPMG LLP REPORTS – HOUSING BENEFIT SUBSIDY CERTIFICATION.

The Committee discussed the Housing Benefit Subsidy Grant Certification letter for 2018/19. The claim was qualified, Officers explained that if a claim is not correct

by the smallest amount claims are qualified. The Chair queried whether the report should have been in the public domain. The Chief Finance Officer explained that in her opinion there was nothing in the report which warranted it being put in private session.

Random samples of twenty cases were tested and there was one case which had been underpaid which had a total value of £1,268.76. The claim was corrected.

Questions from Members were responded to as follows:

- (i) A query was raised relating to CAKE testing and the meaning of this acronym. Officers explained that this was when work needed to be carried out on a particular area of claims to ensure they were correct. The explanation of CAKE was set out in Section 1 of the Housing Benefit circular and meant 'Cumulative Audit Knowledge and Experience'.
- (ii) The Deputy Leader and Cabinet Member for Finance was invited to speak and explained that he was concerned about the audit being qualified, but understood that if there was an error at all, the audit would be qualified. He queried if monitoring from the reports was carried out; how many errors were found; were improvements being made and could evidence be presented to Committee to ensure everything was carried out correctly and for Members to have an appreciation of the work. He queried whether external advice may be appropriate.
- (iii) Testing levels are set out by the Department of Work and Pensions (DWP), there was an appeals process that claims could be taken through for reconsideration.
- (iv) The DWP states that ten percent of the caseload is tested. Officers within the Council carry out a test on twenty percent of the caseload. One out of sixty cases was found to be incorrect.

RESOLVED that

- (a) the outcome of the housing benefit subsidy certification work be noted;**
- (b) a report be presented to a future Committee for Members to have an appreciation of the work being carried out in relation to monitoring of claims, to ensure the submission was correct prior to the audit of the Housing Benefit Subsidy claim.**

Record of Voting - for 4, against 0, abstentions 0, absent 1.

AUD.49 CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES REPORT FOR 2020/2021

Committee received a report on the draft Capital, Investment and Treasury Management Strategies for 2020/21.

The Chief Finance Officer explained that this was the second year that the Council was required to produce the strategies. The Medium Term Financial Strategy and Budget for 2020/21 had been presented to the Overview and Scrutiny Committee in December 2019 and a further iteration would be considered by Cabinet and Council in February 2020. Officers had endeavoured to ensure that the documents are set out in layman terms and had been given support from Arlingclose, the Council's Treasury Management advisors.

Questions from Members were responded to as follows:

- (i) The financial implications in the report referred to the target for investment income from cash investments for 2020/21 being £585,000, Officers assured the Committee that the return from investments was expected to exceed that figure.
- (ii) The investment strategy report related to the capital programme which was part of the Medium Term Financial Strategy (MTFS). The capital programme included £30m available to invest in housing which could mean lending money to registered providers for a return and mark-up. Due diligence would be carried out before lending money to the registered providers. The money would be repayable over 50 years, although it could be repaid early.
- (iii) Officers explained that this method of financing was enabling the delivery of increased levels of affordable housing by a neighboring authority. Concern was expressed to ensure that before lending money the Council should be sure of the commitments and risks relating to this programme.
- (iv) In relation to capital investments - £20m, related to economic development and could include projects for acquiring and developing land or leasing units, the Council should take account of the climate change declaration, when carrying out negotiations.
- (v) The budget for 2020/21 included funding for the development of the Commercialisation strategy.
- (vi) Borrowing for housing allocation would be subject to a business case which would be considered by the Council.
- (vii) Some properties the Council owns outside the district were valued at less than the Council's paid to acquire them, this was currently an unrealised loss. The Council would only recognise the loss if it chose to sell the properties.
- (viii) Cash reserves which invested in property and stocks and shares could be realised within a few days, if needed. At 31 December the value of cash investments was £38.5m, some of this money was in short term deposits and officers are looking at diversifying the investment portfolio, however,

the security and liquidity of the investments were key considerations for new investments.

- (ix) Following a query on the Treasury Management Strategy, Officers clarified that the level of investments were forecast to reduce to £19.240m in 2022 from £32.203m in 2019 as a result of the Council funding the proposed capital programme. Officers would seek best value for the Council in its treasury management transactions and would use the perimeters set out within the strategy. Officers explained that the Council received money for various grants which was shown in the statement of accounts. The collection fund at the end of the year showed how much the Council is holding in terms of business rates and council tax on behalf of third parties; The Treasury Management team was always analysing and reviewing investments.
- (x) Investments in fossil fuel industries and ethical investing were queried. Officers advised that ethical investment needed to be carefully considered. The Council already invested in a CCLA diversified income fund which had removed all holdings in oil companies. As 250 Councils have signed up to the Climate Change Emergency, Arlingclose were addressing their clients requests for advice upon ethical investments and were arranging a workshop on ethical investments. Officers noted that there is a balance between ethical and environmental investments and the requirement for investment returns. The Council had declared a climate change emergency, which had implications for the direction of further treasury management.

The Deputy Leader and Cabinet Member for Finance highlighted that the Church of England were looking at their investments with the information energy companies released. He explained this was an area of emerging policy, which needed greater consideration on whether there was a need to change the Council's investment policies.

Brunel runs the County Council Pension fund and it was considered that caution should be exercised relating to investments.

- (xi) Concern was expressed that the Council should not be seeking further investment in retail property.
- (xii) Officers explained that the budget setting process was iterative and the MTFS is refreshed annually to take into account latest information.

A recommendation was made to Cabinet to formally develop guidance on ethical investments with advice from Arlingclose. This was not seconded.

The Chair proposed that the strategies were recommended and any comments received forwarded to Cabinet and Council. This was seconded by Councillor Maunder.

RESOLVED that the Capital, Investment and Treasury Management Strategies 2020/21 are considered and the views of the Committee reported to Cabinet and Council in February 2020.

Record of Voting - for 3, against 1, abstentions 0, absent 1.

AUD.50 CORPORATE RISK REGISTER UPDATE

Committee received updates to the Council's Corporate Risk Register 2019/20 Quarter 3.

Queries from Members related to recruitment; business rates income in relation to empty retail premises; Ubico recruitment of drivers. Officers explained that there was a risk to the Council when the business rate system changes were implemented in April 2021.

In relation to recruitment, Publica had introduced an intern programme which would mean that Officers could be trained and progress through the company.

The Deputy Leader and Cabinet Member for Finance explained that the Government intends to consult in the Spring on the future of Local Government Finance, there could be a fundamental review on business rates.

RESOLVED that the updates to the Council's Corporate Risk Register be noted.

Record of Voting – for 4, against 0, abstentions 0, absent 1.

AUD.51 WORK PLAN 2019/20

Committee considered the work plan and added a report on Cyber Security to be presented to the next meeting.

AUD.52 DATE OF NEXT MEETING

Members discussed the date of the next meeting which will take place on Thursday 30 April at 4.00pm in the Council Chamber at Trinity Road.

The Chief Finance Officer informed Committee that the Counter Fraud Team had been shortlisted for an award at the Public Finance event in London on 23 April 2020.

AUD.53 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 4.00 pm and closed at 5.42 pm.

Chair

(END)