

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

30 JULY 2020

Present:

Councillors

Patrick Coleman

Chair

Stephen Andrews

Nick Maunder

Tony Berry

Ray Theodoulou

Mark Harris (joined the meeting at 4.50)

Apologies: Councillor\_Roly Hughes

Observers: Councillor Nikki Ind

AUD.1 SUBSTITUTION ARRANGEMENTS

There were no substitute arrangements.

AUD.2 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.3 MINUTES

**RESOLVED that the Minutes of the Meeting of the Committee held on 30 January 2020 be noted.**

AUD.4 CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

AUD.5 PUBLIC QUESTIONS

No public questions had been received.

AUD.6 MEMBER QUESTIONS

No Member questions had been received.

**AUD.7      EXTERNAL AUDITOR ASSURANCE**

Grant Thornton had introduced a new team of external auditors to the Council, as the previous Audit Manager had moved across to Publica, in May 2020 and a new team had been put in place to ensure safeguards. The Director, and Senior Manager, had extensive knowledge of local government. The Director had brought this report to the Committee for comment as appropriate.

Members highlighted the following in the report:

- (a) the current Interim Chief Executive is also an Executive Director of Publica;
- (b) reference to the Corporate Plan and how the Council will deliver against the Corporate Strategy, including taking the Peer Review Report into account, will be the subject of a report which will be available in September, which Members were concerned that the Peer Review report should be shared with the Auditors, Officer indicated that this report would be shared with the Auditors;
- (c) it was recognised that the Council should meet its obligation regarding value for money and this will be reflected in the budget in February, together with information on the response to the Covid-19 emergency.

**RESOLVED that the Audit Committee delegates responsibility to the Chief Finance Officer to complete the response to Grant Thornton, incorporating any changes approved at the meeting.**

**Record of Voting - for 5, against 0, abstentions 0, absent 2.**

**AUD.8      EXTERNAL AUDITOR REPORT**

The Director of Grant Thornton introduced this report which set out a summary of risks identified on the Council's financial statements and value for money arrangements. He explained that the audit of the accounts will be done remotely as officers were continuing to work from home. Concerns relating to land and buildings and the value of those assets and investment properties, gaining assurance in those areas, carry out more work this year than other years. Looking at how the audit plan is delivered and how the pandemic had been responded to.

During discussion Members highlighted and questioned:

- (a) the pension fund was valued at the end of March 2020, and auditors will be challenging the pension fund position within the changes in the market and possible impact of Covid-19;
- (b) how decisions had been taken in relation to grants and loans and value for money;
- (c) the Chief Finance Officer would write to the PSAA in relation to the scales of fees. It was explained that the suggested fees were an estimate based on the information at a particular point in time;
- (d) The Council had a policy on risks dated 2018, and this should be taken into account when looking at risks, on how they are assessed and presented;

- (e) Materiality figures were 1.9% of spend, which for auditors was normally based on spend;

**RESOLVED that the report be noted and the Committees strong disappointment with the proposed audit fee be recorded.**

**Record of Voting - for 6, against 0, abstentions 0, absent 1.**

AUD.9 INTERNAL AUDIT OPINION REPORT

This report provided the Head of Internal Audit (SWAP Assistant Director) opinion of the adequacy and effectiveness of internal control within Cotswold District Council.

During discussion Members highlighted and questioned:

- (a) Cyber Security which was due in April 2020, and had an opinion of advisory.
- (b) Comments were made regarding the presentation of the report and in future could reports be presented in portrait rather than landscape;
- (c) A Follow-Up of the procurement audits have been undertaken and the reports are at draft.
- (d) Progress against recommendations and was there sufficient resource to complete the work required. If staff had been redeployed for the Covid-19 emergency, and now other work was becoming priority, this was resourced and funded, an example was given of the Head of Climate Action;
- (e) Summary of audit findings is due on 30 September 2020, the work is on track, accounts in credit had been undertaken;
- (f) Follow up audits on Revenue and Benefits had not been able to be undertaken due to work on Covid-19.
- (g) Revised audit plan will be presented to the Audit Committee in October including the Council's response to Covid-19.
- (h) Governance (Risk Management) and ICT (Cyber security) support the Council in respect of operational type audit.
- (i) The Chief Finance Officer requested that Internal Audit review the funding that the Leisure Service provider requested during Covid-19. Internal Audit had also supported the Council in areas such as data input for Business Grants, continuous assurance reporting and reviewing policies for the CFU.
- (j) Officers explained the reference in the report in relation to flooding in the Forest of Dean and why that related to the Council. Teams in Publica offer services across the partner councils and one audit may be undertaken across all the responsibilities of Publica and reported to the partner councils. The Chair highlighted that a column of where the responsibility lies with which Council, so when the work is finished the output is explained.

**RESOLVED that the report and any comments made be noted.**

**AUD.10 CORPORATE RISK REGISTER UPDATES**

The Chair asked the Committee to consider deferring this item to the next meeting as the report was not complete and if Members had comments to forward these to the Chief Finance Officer.

Members commented that all the risks were six months out of date and should be updated when the next report is presented to the Committee. More information as requested on the disruption to the Council on a no deal Brexit.

**RESOLVED that the report be deferred to the next meeting on 29 October 2020.**

**AUD.11 ANNUAL TREASURY MANAGEMENT REVIEW 2019/20**

The Chief Finance Officer explained that this was a regular report, the outturn position exceeded the target by £106,000 in 2019/20. It was noted that paragraph 7 at the top of page 67 of the report the outturn figure should have been 639,617, rather than £533,568.

Members questioned whether the report was relevant as it was as at 31 March 2020. Officers explained that this was the first opportunity to present the report. The pooled funds and to be considered as medium to long term investments, and will fluctuate in line with market conditions.

During discussion Members highlighted and questioned:

- (a) Were there plans to liquidate any of the £12.5 m of pooled investment funds, Officers explained that the funds would not need to be accessed in the medium term and this was something which was considered when investing money in to the REIT which also provides housing support for vulnerable people;
- (b) Investment levels had reduced as the Council had funded the purchase of new waste vehicles, and was using earmarked reserves to fund one-off projects, the Council could have borrowed for these vehicles, but did not because there was sufficient funds available as a result of capital receipts received during the year.
- (c) Members wanted it recorded that this was a good outcome for 2019/20.
- (d) Payden Sterling Reserve Fund – within an initial investment of £1 million, it had retained its value when sold at the end of March 2020 and gave a dividend of £7,538, in 2019/20.
- (e) The decline in the capital value of pooled investments was noted.

**RESOLVED that the report be noted and comments forwarded to Full Council.**

**AUD.12     THE PUBLIC SECTOR SOCIAL IMPACT FUND**

The report presented a treasury investment opportunity for the Council to invest in a specialist Public Sector Social Impact Fund. The fund would be investing in a diversified range of UK secured assets, would provide a positive social impact, and generate competitive market returns.

Members considered that more information was needed and alternatives should be investigated before any decisions were made, as there may be a better use for the monies, this may not be the right vehicle to invest in.

Members were requested to forward comments and queries to the Chief Finance Officer.

**AUD.13     ANNUAL GOVERNANCE STATEMENT 2019/20**

The draft version of the annual governance statement was presented to the Committee for consideration and comments. The final version would be presented to Committee in October with the audited Statement of Accounts.

Members acknowledged that this was an important document which would be supported by a separate piece of work in relation to Covid-19, although there did not appear to be any reference to the Peer Review in the report.

During discussion Members highlighted and questioned:

- (a) Communications – there was a need to clearly outline the purpose of this strategy and how items are measured against the strategy.
- (b) Scheme of delegation had been amended.
- (c) Performance reports to the Overview and Scrutiny Committee needed a review as the financial reports needed to link to the narrative.
- (d) An evaluation of exempt status of reports should be undertaken and a standard way of reviewing what is and is not exempt.

**RESOLVED that the report be noted and any comments should be forwarded to the Chief Finance Officer.**

At this point a vote at the 3 hour point in the meeting was taken. The vote was carried.

**AUD.14     THE ROLE OF AUDIT COMMITTEE IN CODE OF CONDUCT AND STANDARDS MATTERS**

Councillor Theodoulou informed the Committee that he was under investigation, although it was considered that he would remain in the meeting and take part in the discussion.

Members were informed that the Council had one independent person who had not been contactable for some time. The Monitoring Officer had been consulting the Independent person for the Forest of Dean when necessary. Members considered whether they should receive a future report via the Constitution Working Group to understand what options were available.

During discussion Members highlighted and questioned:

- (a) Article 8 of the Constitution sets out the responsibility of the Audit Committee in assisting the Monitoring Officer in investigations where necessary. Members welcomed the report on this and recognised that this was an urgent matter to be dealt with.
- (b) Parish Councillors are also referred to the Monitoring Officer, and Members considered that Committee should receive updates when necessary, to fulfil their role.
- (c) The Interim Chief Executive acknowledged that there were some anomalies that needed to be resolved and the present process of reporting to Committee needed to be reviewed. The Localism Act 2011 took away a lot of power and sanctions in relation to standards investigations.
- (d) Members considered that was an urgent issue which needed reviewing, with regular reports on the number of complaints, although recognised that involvement of the Committee remained limited. Officers would report to the Constitution Working Group at their scheduled meeting in August 2020.

**RESOLVED that:**

- (a) the report and comments made be noted;**
- (b) the role of Committee in relation to conduct/standards be reviewed;**
- (c) Committee makes recommendations to the Constitution Working Group on changes discussed during debate.**

**AUD.15     RESPONSE TO THE LGA CONSULTATION ON THE MODEL MEMBER CODE OF CONDUCT**

The report and response by the Monitoring Officer to the consultation was presented to the Committee. The Chair reminded Members to comment on this consultation.

**RESOLVED that:**

- (a) the report be noted;**
- (b) responses and comments to the draft consultation questionnaire at Annex B be submitted by individual Councillors;**
- (c) authorises the Monitoring Officer to submit a consultation response to the LGA on the Council's behalf.**

**AUD.16     RESPONSE TO CONSULTATION ON PUBLIC WORKS LOAN BOARD**

The Chief Finance Officer presented the report on the consultation which would be submitted following the Committee.

During discussion Members highlighted and commented

- (a) putting a small amount of money as seed funding into the Community Project scheme generates income within the local authority area to the benefit of local communities.
- (b) many councils borrow from the Public Works Loan Board, the Council should be looking at other funds to give a yield.
- (c) There was support for the Public Works Loans Board from Members.

**RESOLVED that the report be noted.**

AUD.17 STATEMENT OF ACCOUNTS 2019/20

The Chief Finance Officer presented the draft statement of accounts for comments and explained that if Members had any points of detail they should forward them to her within the next five weeks.

During discussion it was noted:

- (a) The pension fund had finally had a good year.
- (b) The Commercialisation Strategy would work over a 10 year period and be part of the Medium Term Financial Strategy. The name of this strategy may change in the final Statement of Accounts and Annual Governance Statement.
- (c) Some changes to the new homes bonus were taking place and detail on that would be received later in the year.

The Committee thanked Officers for their work on the Statement of Accounts and the Chair asked Members to forward comments to the Chief Finance Officer.

**RESOLVED that comments made be noted.**

AUD.18 WORK PLAN 2020/21

Committee noted the work plan and added the following items for consideration on 29 October 2020.

- (a) Corporate Risk Register
- (b) Code of Conduct – Standards Investigations
- (c) Statement of Accounts

AUD.19 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 4.00 pm adjourned at 6.00pm, reconvened at 6.20pm and closed at 8.00pm

Chair  
(END)