

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

24<sup>TH</sup> JANUARY 2017

Present:

Councillor LR Wilkins - Chairman

AW Berry PCB Coleman

T Cheung (from 10.05 a.m.)

Substitutes:

RW Dutton

Observers:

SI Andrews (invited to speak on  
Minutes AUD.43, AUD.44 and  
AUD.45)

Apologies:

R Theodoulou

AUD.33 SUBSTITUTION ARRANGEMENTS

Councillor RW Dutton substituted for Councillor R Theodoulou.

AUD.34 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.35 MINUTES

**RESOLVED that the Minutes of the Meeting of the Committee held on 24<sup>th</sup> August 2016 be approved as a correct record.**

**Record of Voting - for 2, against 0, abstentions 2, absent 1.**

AUD.36 CHAIRMAN'S ANNOUNCEMENTS

There were no announcements from the Chairman.

AUD.37 PUBLIC QUESTIONS

No public questions had been received.

AUD.38 MEMBER QUESTIONS

No questions had been submitted by Members.

AUD.39 ANNUAL AUDIT LETTER

Ms J Masci, Associate Director at Grant Thornton (the Council's external auditor), was present for this item.

The Committee was invited to consider and comment on the Annual Audit Letter for the financial year 2015/16.

Ms Masci amplified aspects of the circulated report, drawing attention to the summary of the key issues and activities of the audit and the 'unqualified' opinions in respect of the audit of financial statements and value for money. Ms Masci reminded the Committee that the certification of Housing Benefit grants claim was the subject of a subsequent report elsewhere on the Agenda (Minute AUD.40 below referred).

In response to various questions from Members, it was reported that the Council's initial influence in respect of Ubico Ltd. had reduced as that company had expanded to include additional partner organisations; the Council relied on benchmarking data to support its decision-making processes; 'materiality' was an audit concept; and the Council had recently undertaken a major update of its financial systems, which had been subject to audit by Grant Thornton, and was found to have been robust.

**RESOLVED that the report be noted.**

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

AUD.40 GRANT THORNTON - CERTIFICATION OF WORK FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016

Ms M Burge, the Manager at Grant Thornton (the Council's external auditor), was present for this item.

Ms Burge explained that the certification work carried out in respect of the Housing Benefit return for the financial year 2015/16 had been completed and a 'qualified' opinion issued. The findings had been notified to the Department for Work and Pensions, and the Council was awaiting a response therefrom as to whether or not any further work would be required.

In response to various questions from Members, it was reported that it was not unusual for errors to be identified in Housing Benefit returns, given the number of transactions carried out; Grant Thornton had suggested guidance for Officers in respect of the benefit parameter for polygamous marriages; performance in respect of the processing of Housing Benefit applications was in the upper quartile; and there had been recent discussions with Officers in the Revenues and Benefits Section over the need for accuracy while processing Housing Benefit claims as quickly as possible.

**RESOLVED that the report be noted.**

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

AUD.41 GRANT THORNTON UPDATE

Ms J Masci, Associate Director at Grant Thornton (the Council's external auditor), was present for this item.

The Committee considered a report detailing progress to date in respect of Grant Thornton's work and Ms Masci amplified aspects of that report, particularly in respect of the closure of the 2015/16 audit; the Audit Plan for 2016/17; key changes; changes to the focus of annual governance statements in 2016/17; and emerging issues and developments. Ms Masci also responded to various questions from Members relating to issues and developments. It was noted that Officers were already considering the issue of the focus of annual governance statements, and that a report thereon would be submitted to a future Meeting of the Committee.

**RESOLVED that the report be noted.**

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

AUD.42 INTERNAL AUDIT SUPPLIER

The Committee considered a report detailing an evaluation exercise carried out in respect of a contract with the Council to provide internal audit services with effect from 1<sup>st</sup> April 2017. Copies of Appendix 'A', which had been referred to in the circulated report but not attached thereto, were circulated at the Meeting. That Appendix detailed the duties and responsibilities of the South West Audit Partnership (SWAP), the preferred supplier for internal audit services.

The Committee was reminded that internal audit services across the 2020 Partnership were currently provided by two teams which, in some cases, resulted in services being included in the audit plans of both providers. The Chief Finance Officer amplified various aspects of the circulated report, including in respect of evaluation of the submitted bids, and the recommendation of the 2020 Joint Committee. The Chief Finance Officer commented that very good bids had been submitted by both providers.

In response to various questions from Members, it was reported that, while the head office of SWAP was in Taunton, an internal audit team would be based in the Council's Trinity Road offices; the Council would be represented on the Board by the Chairman of this Committee, and by the Chief Finance Officer on the Board of Directors; agreement was being sought for one Officer to represent the 2020 Partnership on the Board of Directors; existing Audit Cotswolds staff would transfer to SWAP with effect from 1<sup>st</sup> April 2017 on their current terms and conditions, which would be protected by the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE); SWAP was currently a member of the Local Government Pension Scheme; the internal audit service would retain its independence and its professional integrity; it was likely that SWAP would continue to grow in the future, and the Board was already considering issues relating to the likely extent of future growth; SWAP was subject to the same audit standards as Audit Cotswolds; savings would be achieved through changes in the delivery of the service; and the Head of Audit Cotswolds was no longer employed by the Council.

**RESOLVED that the Cabinet be advised that this Committee supports the recommendation from the 2020 Joint Committee in respect of the appointment of an internal audit supplier.**

**Record of Voting - for 5, against 0, abstentions 0, absent 0.**AUD.43 CYBER-SECURITY UPDATE REPORT

The Committee considered an overview of the current state of risks and considerations relating to the potential for cyber attacks on the Council, and Officers amplified various aspects of that report, drawing attention to recent national and international cyber breaches; reputational impact; cyber-crime/fraud/extortion; cyber and information security and security measures; detection and recovery; assurance and compliance; testing; and data protection. On behalf of the Committee, the Chairman expressed appreciation for the report and for the work that had been carried out by staff in the ICT Section.

Councillor SI Andrews was invited to address the Committee, and he outlined his concerns over the security of information held by the Council. Councillor Andrews expressed his view that, while the Council had the correct technical barriers in place to safeguard against cyber attacks, no assurances had been given that information held by the Council was being handled correctly, and he suggested that it could be appropriate for the circulated report to be submitted to the Overview and Scrutiny Committee for consideration. In response, it was reported that all transmissions relating to the Council were 'official' transmissions, and that the Council had various policies and procedures in place relating to the handling of transmissions, including e-mails. Those policies and procedures were reviewed and communicated to staff on a regular basis. It was further reported that the Council considered ways in which it could improve its systems, and that Officers were currently considering issues relating to data handling systems across the partnership organisations.

In response to the concerns raised by Councillor Andrews, it was reported that there were appropriate arrangements in place in relation to information security handling, which were detailed in the Council's ICT Policies framework and processes (paragraph 10.1 of the circulated report referred). The concerns raised by Councillor Andrews related to the ability to access his Council User e-mail account remotely. In that connection, it was further reported that Officers were currently reviewing a number of e-mail solutions.

In response to concerns over the risk reputational and trust damage to the Council in the event of a cyber attack, it was reported that such issues would be addressed through the Council's Emergency and Business Continuity Plans. In that context, it was suggested that some testing on the PR aspects of those plans could be required. It was further suggested that, as a way forward, the cyber-security report be submitted to Corporate Team, together with the comments of the Committee, and that a further report on the way forward be submitted to a future Meeting of this Committee.

**RESOLVED that the report be noted, and the issues raised be addressed, as suggested.**

**Record of Voting - for 5, against 0, abstentions 0, absent 0.**AUD.44 DRAFT REGULATION OF INVESTIGATORY POWERS ACT 2000  
(COMMUNICATIONS DATA) POLICY

The Committee was requested to consider a draft policy relating to communications data under the provisions of the Regulation of Investigatory Powers (RIPA) Act 2000, and to forward its comments thereon to the Cabinet.

It was reported that this new policy would be rolled out across the 2020 Partnership, and would sit alongside the existing RIPA policy relating to surveillance; and a draft RIPA (Social Media) policy would be submitted to a future Meeting of this Committee. Officers amplified aspects of the circulated report and responded to various questions from Members.

Councillor SI Andrews was invited to address the Committee, and he commented that the Regulation of Investigatory Powers Act 2000 covered a number of other areas, as well as finance and fraud.

**RESOLVED that the Cabinet be advised that this Committee supports the draft Communications and Data policy relating to the Regulation of Investigatory Powers Act 2000.**

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

AUD.45 INTERNAL AUDIT MONITORING REPORT

The Committee considered a report summarising the work undertaken by Audit Cotswolds (Internal Audit).

Officers amplified aspects of the circulated report, including in relation to current progress against each auditable area; the executive summaries of those audits which had been finalised since the Committee's last Meeting; and assurance levels. The Acting Head of Internal Audit also took the opportunity to apprise the Committee of preparations for the transition to the new internal audit arrangements, which were due to take effect from 1<sup>st</sup> April 2017 (Minute AUD.42 above referred).

In response to various questions from Members, it was reported that the effectiveness of the Joint Waste Committee had been included in the South West Audit Partnership's audit plan; Ubico Ltd. was in the process of amalgamating the various procurement processes it had acquired from the partner organisations; and a team had already been set up to consider procurement issues in relation to the 2020 Partnership.

In response to a further question, Officers apprised the Committee of the process for monitoring the contract between the Council and SLM for the provision of leisure and cultural services. Concern was expressed that the contract had not yet been signed, and the Chief Finance Officer undertook to ascertain progress in that respect.

Councillor SI Andrews was invited to address the Committee, and he stated that the Overview and Scrutiny Committee was in the process of reviewing the SLM contract.

**RESOLVED that the report be noted.**

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

Note:

The Committee congratulated the Internal Audit team on the amount of work it had undertaken and the successes achieved.

AUD.46 COUNTER FRAUD BUSINESS CASE

The Committee was requested to consider the business case relating to the establishment of a permanent Counter Fraud Unit, and to forward its comments in that respect to the Cabinet.

In updating the circulated report, it was reported that Gloucestershire City Council and Stroud District Council would also be procuring services from the Unit. It was noted that the intention was for this Council to be the employing authority for the Unit.

**RESOLVED that the Cabinet be advised that this Committee supports the establishment of a permanent Counter Fraud Unit.**

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

AUD.47 TREASURY MANAGEMENT STRATEGY 2017/18

The Committee was requested to consider the Treasury Management Strategy 2017/18 and to make a recommendation thereon to the Council for consideration at its Meeting to be held on 21<sup>st</sup> February 2017.

By way of an update to the circulated report, a page detailing amended wording for the paragraph on page 149 thereof, and an additional Appendix comprising a glossary of terms (Appendix 'D'), were tabled at the Meeting.

It was noted that the Council's Treasury Management advisors had been invited to make a presentation to the 2020 Partnership, and the Committee was requested to nominate Members to attend such presentation. In response to a question from a Member, it was reported that decisions on the Council's strategy for borrowing money were reserved to the Council, and that the Council would need to consider the financing of some forthcoming significant developments in the near future. In response to a further question from a Member, it was reported that Officers were aware of forthcoming changes within the parent organisation of the Council's Treasury Management advisors, and that the current Treasury Management contract would expire during 2017.

**RESOLVED that Councillors AW Berry, PCB Coleman and LR Wilkins be authorised to attend the forthcoming presentation by the Council's Treasury Management advisors, as an approved duty.**

**RECOMMENDED that the Treasury Management Strategy 2017/18 be approved.**

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

AUD.48 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 10.00 a.m. and closed at 12.15 p.m.

Chairman

(END)