

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

29TH JANUARY 2019

Present:

Councillor LR Wilkins - Chairman

Councillors -

T Cheung RW Dutton
A Doherty

Substitutes:

SI Andrews

Apologies:

R Theodoulou

AUD.30 SUBSTITUTION ARRANGEMENTS

Councillor SI Andrews substituted for Councillor R Theodoulou.

AUD.31 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.32 MINUTES

RESOLVED that, subject to the following amendments, the Minutes of the Meeting of the Committee held on 30th October 2018, be approved as a correct record:-

(i) deletion of the word 'unnecessary' and its substitution by the word 'inappropriate' in the first line of the final paragraph of the preamble to Minute AUD.22;

(ii) addition of the words 'his view' after 'He explained' in the second line of the fourth paragraph of the preamble to Minute AUD.23.

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

AUD.33 CHAIRMAN'S ANNOUNCEMENTS

There were no announcements.

AUD.34 PUBLIC QUESTIONS

No public questions had been received.

AUD.35 MEMBER QUESTIONS

No questions had been submitted by Members.

AUD.36 INTERNAL AUDIT MONITORING REPORT

The Committee received a summary of activities undertaken by Internal Audit since the Committee's last Meeting.

Officers of the Council and Publica, together with the Assistant Director of SWAP Internal Audit Services, amplified various aspects of the circulated report and responded to questions from Members. In this connection, the following points were made:-

- (i) the outcome of the audit relating to Section 106 Agreements and funds would be presented to the Audit and Overview and Scrutiny Committees in due course;
- (ii) the number of burials financed through public funds was low;
- (iii) it was noted that the arrangements in place to combat fraud and corruption were considered to be robust, and the Committee welcomed the improvements which would strengthen even further what had already been implemented;
- (iv) it was confirmed that the Council was compliant in relation to food safety duties, but that the situation regarding inspections would be monitored;
- (v) it was explained that IR35 was an HMRC regulation requiring employers to ascertain whether temporary consultants should be treated as employees rather than third party company employees;
- (vi) in response to concern expressed that due dates for the Safeguarding and Accounts Payable (Creditors) Audits were December 2017 and June 2018, it was explained that follow-up audits were in progress;
- (vii) the Internal Enforcement Agency review related to the debt recovery service which had been brought back in-house.

Members congratulated officers on a well prepared and comprehensive report.

RESOLVED that the report be noted.

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

AUD.37 GRANT THORNTON REPORTS

Ms J Masci, Associate Director of Grant Thornton, was present for this item.

The Committee received details of the Audit Plan 2018/19 and the Housing Benefit Subsidy Grant Certification Letter for 2017/18.

Officers explained that the external audit plan had two principal requirements - to give an opinion on the Council's financial statements and to provide value for money arrangements, looking at significant risks when auditing the accounts. Work would also be undertaken on reviewing the processes and arrangements which are in place for Publica Group (Support) Limited to deliver shared services to Cotswold, West Oxfordshire, Forest of Dean and Cheltenham Borough Councils.

Ms Masci and Officers amplified various aspect of the letter relating to certification of the Housing Benefit subsidy claim; and reassured the Committee that a qualification on such claim was quite normal. It was explained that checks and balances were carried out at every stage, and even small amounts led to a risk of qualification. In general, the 2017/18 Housing Benefit Claim represented a positive report and a good outcome - no amendments had been made to the claim, although it was qualified as there was a £5,000 difference; the recommendations to rectify this were minor and included extended testing; and no amendments had to be made to the planned fee.

In response to a member question, it was explained that investment properties had to be valued each year, unlike other properties the Council owned which were valued on a cyclical basis. Officers consulted the District Valuer when there were significant changes in value to make sure values were appropriate. A review of the Council's property and asset strategy was being undertaken.

RESOLVED that the Audit Plan 2018/19 and the Housing Benefit Subsidy Grant Certification Letter for 2017/18 be noted.

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

AUD.38 CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2019/20

The Committee was invited to consider the draft Capital, Investment and Treasury Management Strategies for 2019/20. Any comments made would be forwarded to the Cabinet and Council for consideration.

It was explained that the Council was now required to produce a stand-alone Capital Strategy, and that the Investment Strategy and the Treasury Management Strategy had been revised to reflect the Council's current circumstances.

During the course of the debate, the following points were made:-

- (i) some concern was expressed regarding investment in the stock market and treating investments as a treasury management package - there was a need to balance market risk against the total returns the Council gained from such investments;
- (ii) there were some concerns relating to the scale of capital projects, around waste and car parking, which would markedly change the treasury outlook over the next few years;
- (iii) in relation to the loans to UBICO and Publica included in the Treasury Management Strategy, it was explained that these were in effect contingency provisions; UBICO had requested a loan on one occasion to pay a large invoice, i.e. to assist with cash-flow; and the Group Finance

Director (Publica) agreed to review the requirement for the provision of these temporary loan facilities, and the values;

- (iv) the list of qualifications/memberships required of Officers to undertake various actions within the strategies would be reviewed;
- (v) the table of approved investment counterparties and limits, which explained the credit limits of banks, was considered to be a useful document table; and it was suggested that a breakdown of how the credit limits were being used could be helpful, with the investment monitoring report including such information in the future;
- (vi) the existing investment position would be reported regularly to the Committee during the year.

In summary, the Committee suggested various minor changes to the draft Strategies, which would be incorporated into the revised documents presented to the Cabinet and Council. The key issue that the Committee wished to highlight related to the amount of borrowing which was now being planned by the Council, which represented a significant change in direction insofar as the manner in which the Council had hitherto funded capital projects/spend.

RESOLVED that the comments of the Committee in relation to the Capital, Investment and Treasury Management Strategies 2019/20 be reported to the Cabinet and Council in February 2019.

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

AUD.39 HISTORIC FRAUD ISSUE

The Committee had been asked, by the Council, to review the historic fraud case that had occurred in 2015 and, also, the procedures and processes that had been put in place as a result, to ensure that they remained both relevant and fit-for-purpose.

The circulated documents included a copy of the report presented to, and Minute extract from, the Council Meeting of 28th September 2018; and a follow-up audit report undertaken by SWAP Internal Audit Services in relation to payment procedures. The covering report to the Meeting set out background information, the actions taken and outcomes at the time, and subsequent measures put in place (including on-going training and fraud awareness sessions).

Members acknowledged that the incident, whilst unfortunate and regrettable, had resulted from a genuine human error, and noted that appropriate action had been taken against the Officer involved. They were satisfied with the procedural changes that had been put in place at the time in an attempt to prevent any recurrence of similar fraudulent activity; and welcomed the fact that these processes were subject to on-going review. The Committee also noted that the recommendations, findings and actions identified by Internal Audit Services had been robustly followed up and completed (or closed in relation to one item).

Members commented that the information presented had been extremely well put together and comprehensive in nature, and complimented the SWAP report.

Officers explained that if a similar situation happened now, staff were more aware and had been trained to recognise potential fraudulent activity; controls were in place in relation to processing payments; and similar training would be provided for Members as part of the induction process after the May 2019 elections. Furthermore, all counter-fraud activity was reported by the Counter Fraud Manager to the Committee within the bi-annual Counter Fraud Reports.

RESOLVED that:

- (a) the report be noted;**
- (b) the Committee commends the robust actions and controls implemented, and confirms that the procedures and processes that have been put in place remain both relevant and fit-for-purpose.**

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

AUD.40 DATE OF NEXT MEETING

It was noted that the next Meeting of the Committee would be held in the Council Chamber, Trinity Road, Cirencester on Tuesday 16th April 2019 at 10.00 a.m.

AUD.41 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 10.00 a.m. and closed at 12.20 p.m.

Chairman

(END)