

## **AUDIT COMMITTEE**

**TUESDAY, 25 SEPTEMBER 2018**

PRESENT:- Councillors Steve Weisinger (Chair), Nick Martin (Vice-Chair), Des Moffatt, Roger Smith and Vera Tomlinson.

Apologies for absence were received from Councillors Kevin Small and Rahul Tarar.

### **22. Declarations of Interest**

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting. No declarations were made.

### **23. Public Question Time**

No public questions were received during the meeting.

### **24. Minutes**

Resolved - That the minutes of the meeting held on 23<sup>rd</sup> July 2018, be confirmed and signed.

### **25. Audit Committee: Terms of Reference and Revised Work Plan**

The Committee received a report of the Head of Internal Audit on the Audit Committee's terms of reference and details of the Committee's draft work programme for 2018/19.

The Head of Internal Audit introduced the report noting:

- That Terms of Reference and a revised work programme had been drawn up having regard to CIPFA's Updated guidance on Local Authority Audit Committees in their publication "Audit Committees: Practical Guidance for Local Authorities and Police 2018".
- The revised Terms of Reference to meet the CIPFA's national guidance (which were highlighted in Appendix 1 of the report).
- The proposed updated Committee Work Programme, set out within Appendix 2 of the report.
- The Audit Committee Self-Assessment of Good Practice checklist set out within Appendix 3 to the report which was partially completed but required additional input from the Committee.
- The Committee's previous determination not to appoint an independent Member.

Members considered the report and discussed:

- The role of independent Audit Committee members in other Local Authorities and whether there was best practice in determining whether such an appointment should be made.
- The role of any independent member, should one be appointed by the

Council, and whether such an appointment would bring sufficient experience and knowledge to produce value for money.

- The experience of other Local Authorities in finding appropriately skilled individuals for appointment as an independent member on Audit Committees.

In relation to questions set out within the CIPFA Self-Assessment Members noted the following:

Question 16 (Has the Membership of the Committee been assessed against the core knowledge and skills?).

The Committee noted that its Members drew their experience and range of skills from a variety of sources, including professional auditing qualifications, employment experience and experience over a number of years as Councillors. The Committee was responsible to the Council and its electorate.

Question 23 (Has the Committee evaluated whether and how it is adding value to the organisation?)

The Committee noted a number of ways Internal Audit brought real value to the Council in including the identification of good practice, the identification of weaknesses in management and operational processes, the identification of wasted resources and fraud. Members of the Council were kept up-to-date with regular reports conducted by the Internal Audit team together with reports on the progress action to address report findings.

Resolved – (1) That the amended Terms of Reference for this Committee be approved.

(2) That subject to the inclusion of reference to Members comments about the various issues raised in the CIPFA self-assessment document guidance, the responses to the CIPFA checklist of good practice be approved for submission.

(3) That the Head of Internal Audit be requested to submit a report to the next meeting of this Committee setting out best practice from other Local Authorities in respect of the process for the appointment of Independent Members, together with the advantages and disadvantages, including financial, to this Council of appointing and independent Member.

## **26. External Audit - Annual Audit Letter for Year Ending 31 March 2018**

Mr Steven Johnson (Grant Thornton) presented the Council's Annual Audit Letter for the Year ending 31<sup>st</sup> March 2018 received from the Council's External Auditors, Grant Thornton.

In presenting the report Mr Johnson drew Members' attention to the following matters:

- That the Council's external auditors were required to present their findings to the Council on an annual basis.
- The letter of the External Auditor's provided a commentary on the work carried out by Grant Thornton during the Financial Year ending 31<sup>st</sup> March 2018 and highlighted issues the auditors wished to draw to the attention of the public.

- That the letter was prepared in accordance with the National Audit Office Code of Audit Practice Note (AGN) 07 – “Auditing Report”.
- The letter also provided the auditors opinion in respect of the Council’s financial statement and that it assessed the Council’s arrangements for securing economy, efficiency, and effectiveness in its use of resources.
- That a determination of materiality had been provided in respect of the Council’s accounts.
- The auditors had previously provided an unqualified opinion on the Council’s financial statements on 26<sup>th</sup> July 2018.
- Work on the Council’s consolidation return had been completed following guidance issued by the National Auditors Office.
- No issues had been identified on any matters requiring the exercise of the auditor’s additional statutory powers.
- The Council’s Value for Money arrangements were satisfactory.
- Three out of four Certification of Grants had been submitted for testing and certification by Government and it was hoped this would be reported to the Audit Committee in November 2018.
- Swindon Borough Council’s accounts were in accordance with the Code of Audit Practice.
- The certification of the pooling of capital receipts should be straightforward although the Government required additional assurance nationally in respect of this area.

In considering the presentation Members discussed the following issues:

- The process for the valuation of property, plant and equipment and the effect this had on the book value of assets such as academies and community facilities which was dependent on the type of lease and value to the Council.
- New regulations covering the value of assets related to leases would be introduced in 2019/20.
- The type and nature of leases investigated by the auditors in preparing their accounts.

Resolved – (1) That the External Annual Audit Letter prepared by Grant Thornton for the Year ending 31<sup>st</sup> March 2018 be received and noted.  
 (2) That Mr Steven Johnson be thanked for his useful and interesting presentation.  
 (3) That the Head of Internal Audit be requested to check the book valuation to Swindon Borough Council of assets transferred under the GLL Leisure contract and of community facilities owned by the Council such as sports pitches and playing fields.

## **27. External Audit - Planned Audit Fee for 2018/19**

Mr Steven Johnson (Grant Thornton) presented a letter sent to the Council’s Director of Finance dated 25<sup>th</sup> March 2018 setting out the External Audit Planned Audit Fees for 2018/19.

Mr Johnson introduced the letter and commented on:

- The submission of the fees to the Committee which had been delayed as the result of an administrative issue.

- The scale of fees which were set by Public Sector Audit Appointments Limited.
- The fees that had been set out as part of the tendering process and that these had reduced by 23% over those paid last year.
- Work to be undertaken by the External Auditors under the contract, the timetable for this work and billing schedule.

Resolved – (1) That the External Audit Planned Audit Fee for 2018/19 be noted.  
(2) That Mr Steven Johnson be thanked for his presentation.

## **28. External Audit - Audit Progress Report and Sector Update**

Mr Steven Johnson (Audit Manager Grant Thornton) presented an Audit Progress Report and Sector Update from the Council's External Auditors for the Council for the Year ending 31<sup>st</sup> March 2018.

Mr Johnson presented the report and highlighted:

- That the Council's certificate of closure for their audited accounts, including the external auditor's value for money conclusions, had been issued on 26<sup>th</sup> July 2018.
- The only outstanding work for the 2017/18 accounts were related to grant work which was progressing.
- Planning the work required for the external audit of the current financial year would be commencing in the near future and this would be reported to the Audit Committee in January 2019.
- The approach of the external auditors in identifying risk and their general approach to the audit was set out within the report tabled.
- Swindon Borough Council officers had been invited to a Commercialisation Seminar to be held on 2<sup>nd</sup> October 2018.
- The current status and timetable for audit deliverables for the 2018/19 external audit.
- The current financial status of Local Authorities nationally against the backdrop of continuing pressure and demand for statutory services.
- That Swindon was well placed against other local authorities nationally in the range of headings within the Chartered Institute of Public Finance and Accountancy Financial Resilience Index.
- National consultations on the Social Housing Green Paper.
- The national pilots for retaining the growth in business rates and the criteria for local authority participation in these pilots.
- The Institute of Fiscal Studies "Impact of Fair Funding Review" aimed at identifying a new system for allocating funding between Local Authorities.
- The National Audit Office Health and Social Care interface which was aimed at improving Local Authority and Health Service joint working.
- Examples of financial measures other Local Authorities had undertaken to balance their annual budgets.

In their consideration of the report and presentation members discussed:

- The use of £2.3 million of Council reserves in meeting the 2017/18 Budget and that Grant Thornton had noted this use of reserves which they

considered an appropriate use contingency budgets for meeting in year financial pressures.

- The use of reserves by other local authorities, many of whom were using a higher level of reserves to balance their annual budgets.
- The use of reserves within the Council's medium term financial plans.
- Swindon Borough Council's current financial position in identifying £30million of savings in the next 30 months.
- How information within the Chartered Institute of Public Finance and Accountancy Financial Resilience Index could be challenged and used to assist Swindon in its forward planning.

Resolved – (1) That the report be noted.

(2) That Steven Johnson be thanked for his useful and interesting presentation.

## **29. Internal Audit Charter**

The Head of Internal Audit submitted a report inviting members to review and approve the Council's Internal Audit Charter as required under the Public Sector Internal Audit Standards. These standards provided the mandatory guidance that constituted the principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for the evaluation of the effectiveness of Internal Audit's performance.

In presenting the report the Head of Internal Audit noted that the Internal Audit Charter had been approved in September 2017 and was before members for its annual review.

Members noted the report and in particular the changes to authority, reporting structures, accountability and responsibility of officers in relation to Internal Audit.

Resolved – That, subject to references to "Director of Finance" being amended to read "Director of Finance (Section 151 Officer)" the Internal Audit Charter be approved.

## **30. Head of Internal Audit Update**

The Committee received a report of the Head of Internal Audit summarising the main issues arising from the Internal Audit reports finalised since the last Audit Committee meeting in July 2018, progress made against the Annual Internal Audit Plan 2018/19 and Internal Audit staffing and resource issues.

In presenting the report the Head of Internal Audit noted:

- That as at the end of August 2018, 37% of audits in the audit plan had been completed against a target of 40%.
- Progress over the first five months of the Municipal Year against the Internal Audit Plan was set out in Appendix 2 to the report.
- That work by the audit team had identified £137,000 additional Council Tax to be billed through the identification of Single Person Discount Fraud.
- A further £16,000 to be billed had been identified under the Council Tax Reduction Scheme.
- That housing related fraud totalling £202,000 had been identified.

- That total savings arising from the teams work during the current Financial Year was approximately £467,000.

Members considered the report and discussed:

- The loss of Council Tax arising from empty homes and the social impact of empty homes on the local environment, and the identification of empty homes within the Borough.
- Measures, including financial, that might be available to the Council to tackle the problem of properties left unoccupied over a long period of time.

Resolved – (1) That the report be noted.

(2) That the Head of Audit be requested to submit a report to this Committee identifying cost effective measures within current legislation to enable empty homes to be brought back into use.