

AUDIT COMMITTEE

TUESDAY, 19 MARCH 2019

PRESENT:- Councillors Steve Weisinger (Chair), John Ballman, Nick Martin (Vice-Chair), Des Moffatt, Roger Smith and Rahul Tarar.

An apology for absence was received from Councillor Kevin Small.

50. Declarations of Interest

The Chair reminded Members of the need to declare any known interests in any matters to be considered at the meeting. Councillor Steve Weisinger made a prejudicial declaration of interest in respect of Agenda Item 7 his capacity as director of the Swindon Housing Company.

51. Public Question Time

No public questions were received during the meeting.

52. Minutes

Resolved - That the minutes of the meeting held on 5th February 2019, be confirmed and signed.

53. Accounting Policies and Accounts Update 2018/19

The Director of Finance submitted a report updating the Committee in respect of financial reporting changes affecting the Council's Annual Statement of Accounts to ensure compliance with accounting standards adopted by the Accounting Code of Practice that the Council is required to follow.

Following the introduction of the report the Director of Finance answered questions in respect of:

- Changes to standards relating to Financial Instruments and changes to Council policies to reflect these.
- The potential effect of changes to the valuation of land leases agreed with Parish Councils.
- Potential changes to how assets transferred to Parish Council's would be treated under the new regulations.

Resolved – (1) That the report be noted.

(2) That the changes to the Authority's Accounting Policies be approved.

54. Corporate Risk Management Update

The Committee received a joint report of the Cabinet Member for Corporate and Customer Services and Chief Executive setting out a summary of the Council's risk management activity and the updated Corporate Risk Register.

Following a presentation of the report Carmel Burton, Corporate Planning

Lead Resources and answered Member's questions in respect of:

- The focus on identifying risks to the Council and actions to mitigate those risks and progress made against individual risks identified.
- The move from categorising risk levels to seeking remedial actions to mitigate all risk which is deemed to be equal.
- The inclusion of audit actions into performance management and reporting high priority audit actions to the Council's Corporate Management Team which was responsible for the oversight of risk management.
- Mitigation in the form of financial management and savings proposals to meet risks relating to the Council's Medium Term Financial Plan and how these might be affected by unknown risks associated with the Council's funding.
- The empowerment of communities to manage service levels and future demand and the evolution of Parish Council's in service provision.
- Market risks to the Council's ability to grow the local economy and business rates supporting the Council's future financial position.
- The loss of European Union funding to the Wiltshire and Swindon Local Enterprise Partnership.
- Forthcoming upgrades to the telephony network to improve the ability of residents to contact the Council.
- Reputational and financial risks associated with the Council's Safeguarding work, including Out of Borough placements.
- Business continuity and Information Technology disaster recovery processes and protocols.
- Preventative work to manage current and future service demand and to allow people to live quality lives within their home environment.

Resolved – (1) That the risk management approach, processes and risks captured by the Corporate Risk Register be endorsed.

(2) That Carmel Burton be thanked for her work on behalf of the Council and this Committee and the Committee's best wishes for her retirement be recorded.

55. Internal Audit Report - Swindon Housing Company

Following a Declaration of Interest by the Chair, Councillor Steve Weisinger, Councillor Nick Martin took the Chair during the discussion of this item.

The Committee received a report on the outcome and key findings of the Internal Audit Review of Services to Parishes. It was noted that this audit emerged from the creation of the Swindon Housing Company by the Cabinet in June 2017.

The Head of Internal Audit noted the report arose from a request from the Corporate Director of Communities and Housing to provide assurance in the set-up of the company and progress made to date, to review the company against recognised good practice and against established Municipal Housing Companies which had been trading for a number of years.

Steve Jorden, Corporate Director of Communities and Housing, and Adam Gatier, Commercial Development Project Manager, gave a brief presentation on the relationship between Swindon Borough Council and Parish Councils and services provided.

The Committee discussed the following issues arising from officer presentations:

- That difficulties in setting up the company and delivering developments was not unusual when considering the establishment of other like Municipal Housing Companies.
- Officers and Members had made considerable efforts to establish the company as a successful trading entity.
- The original timescales for establishing the company and it to return a significant profit in the original business case had been very ambitious.
- The Euclid Street development had shown some of the benefits that the company could return.
- The recommendation of the Audit Report that the company pauses to reflect upon the last year of operation and issues relating to the purpose of the company, its business plan, its commercial principles of operation, its governance, the Council's role in supporting and enabling the company and how the Council can work with it to accelerate the delivery of schemes.
- The potential conflict in interest in delivering best value from a joint Council and company perspective, for instance in the transfer of land and the mechanism for determining land valuations
- The value of potential land transfers before and after the grant of planning permission and the stage at which any financial return to the Council constituted revenue or capital returns.
- Financial returns to the Council should land transferred to Swindon Housing Company be sold or transferred to a third party, especially should the Housing Company sell it following it obtaining planning permission.
- The role of the Swindon Housing Company as a commercial entity and how this might conflict the Council's desire for the provision of good quality, sustainable social housing and whether marrying these objectives would mean that the Swindon Housing Company did not always aim to maximise its financial returns.
- That several sites identified by the Swindon housing Company for development were not necessarily "traditional housing sites".
- That currently the Swindon Housing Company was developing sites it had acquired rather than selling them to a third party.
- The two broad work streams of the Swindon Housing Company, the first to develop and sell properties themselves and the second was the sale of land following the receipt of planning permission which was currently not being pursued at this time.
- Whether the issues faced by the Swindon Housing Company had been experienced by other Municipal companies and whether these were being addressed differently.
- Work by the Swindon Housing Company to address Health and Safety and other fundamental issues facing the company and measures, including training, to resolve these and timescales involved.
- The legal liability of the named Directors of the company and how this affected the Council and Councillors.
- The financial returns to the Council for money transferred to the Swindon Housing Company.
- Remuneration for the Chair and staff of the Swindon Housing Company.

Resolved – (1) That the report be noted and officers be thanked for their

presentations and comprehensive response to issues raised by Members.

(2) That the recommendations of the report and in particular those relating to risk areas and opinion as set out on page 63 of the agenda papers be noted.

(Councillor Steve Weisinger made a prejudicial declaration of interest in respect of this item, his capacity as a Director of the Swindon Housing Company, and left the room during the discussion of this item.)

56. Internal Audit Plan 2019/20

The Head of Internal Audit submitted a report setting out the draft Audit Annual Plan for 2019/20 and highlighted the process for drawing up the items identified within the draft plan and in identifying the priorities for the submission of reports to the Committee during the forthcoming Municipal Year.

The Committee discussed the work programme and the potential for the Council's Internal Audit team to undertake work for Parish Councils within the Borough and Schools located within the Borough, noting the knock-on effect any such work might have on the proposed draft Audit Annual Plan.

Resolved – (1) That the draft Internal Audit Plan for 2019/20 be approved.

(Councillor Roger Smith made a non-prejudicial declaration of interest in respect of his item due to his role as a Stratton St. Margaret Parish Councillor.)

57. Audit Progress Report and Sector Update

Barrie Morris (Grant Thornton) presented a report advising the Committee that the External Auditors' had commenced work in respect of its (i) interim audit work, (ii) the Value for Money assessment, (iii) the certification of claims and returns, (iv) preliminary work with Council officers regarding the overall approach to the audit for the coming year, and (v) training with Council Officers for Final accounts.

The Update report also included a summary of key emerging national issues, Government Reports and developments that might be of interest to the Committee.

Resolved – That the update report and the summary of key emerging national issues and developments be noted.

58. External Audit Commitment

Barrie Morris (Grant Thornton) presented a report advising the Committee of the scope of the work to be undertaken by the External Auditors during the forthcoming Municipal Year and setting out how work with other Local Authorities would help ensure audit reports remained fair and balanced.

Resolved – That the report an oral update be noted.

59. Head of External 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 February 2019, and progress made against the Annual Internal Audit Plan 2018/19. He noted that around 85% of the work identified in the plan had been completed and updated Members in respect of the work of Corporate Fraud Team, including (i) a recent prosecution for housing related fraud, (ii) the nominal savings achieved by the team, and (iii) how savings to the Council were calculated.

Resolved – That the report be noted.

60.

Vote of Thanks

The Chair recorded his appreciation to the Head of Internal Audit and his team, the Director of Finance and his team, the Council's External Auditors, the Committee Officer and all members of the Audit Committee for their work during the year.