

AUDIT COMMITTEE

TUESDAY, 22 OCTOBER 2019

PRESENT:- Councillors Steve Weisinger (Chair), Malcolm Davies, Nick Martin, Roger Smith and Kevin Small.

Apologies for absence were received from Councillors Claire Crilly and Des Moffatt.

19. 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.

20. Public Question Time

No public questions were received during the meeting.

21. Minutes

Resolved - That the minutes of the meeting held on 23rd July, 2019, be confirmed and signed.

22. Mid-Year Treasury Performance 2019/20

The Director of Finance submitted a report setting out the Council's mid-year Treasury Management performance for 2019/20. The Committee noted that the CIPFA Treasury Code of Practice recommends that Treasury Management performance is reported to members at least twice a year.

In introducing the report Ian Burbidge (Head of Finance – Technical) drew Members' attention to:

- The Council was still awaiting the final figures in respect of the Local Authority property Fund which would be reported to the Cabinet in December.
- The Council had taken out three loans during the first half of the year for an average maturity of 14.8 years at an interest rate of 1.8%.

Members questioned officers in respect of:

- The Council's own portfolio and investment strategy for property investment which would be reported under the Council's Property Budget.
- The recording and reporting of the Council's investments through the Swindon Housing Company and in respect of the Zurich development.
- Property held directly for the use and benefit of Swindon residents, either immediately or for later strategic use, property held within or outside the Borough for investment purposes and how these were reported within the Council's accounts.
- The 1% rise in the interest rate charged by the Public Works Loan Board and the potential effect this might have on the Council's future investment

strategy (it being noted that interest payable on existing loans was locked-in until the maturity of the loan). This reflected the overall borrowing undertaken nationally by Councils against the borrowing limit set by the Government.

- The ability of the Council to borrow funds through the Local Government Association's from the UK Municipal Bonds Agency should this offer a more attractive borrowing option.

Resolved – That the Mid-year Treasury Performance Report 2019/20 be noted.

23. Corporate Risk Management Update

The Committee received a summary report of risk management activity within the Council, including the most recently updated and reformatted Corporate Risk Register as reported to the Council's Corporate Management Team.

It was noted that it was a function of the Audit Committee to provide independent assurance to the Council of the effectiveness of the Council's risk management, internal control and its overall assurance framework and that this report summarised the areas that the Committee might wish to consider in gathering this assurance.

The Chief Executive introduced the report, providing an overview of the work done in support of the Council's Risk Management processes and to integrate and align with the Council's performance management arrangements and changes made to the corporate risk management process and the Corporate Risk Register following input from members of the Audit Committee.

The Chief Executive took members through the detail of the report, expanding on the main key risk areas identified in the Corporate Risk Register, attached to the report at Appendix 1, and the respective causes, impacts and mitigating actions to reduce likelihood for each of the major identified risk areas.

Following the report's introduction the Chief Executive answered questions and responded to matters raised by the Chair and Councillors Nick Martin, Kevin Small and Roger Smith in relation to the following issues:

- The current and foreseeable financial pressures facing the Council which would prevent a reduction in the Council's Finance Risk Management rating despite the mitigation measures in place.
- The budgetary pressures anticipated over the next 3 to 4 years and on-going work on demand management.
- The transfer of assets to Parish Councils and ways in which such transfers might be better expedited.
- The aspirations as to which, if any, additional services might be undertaken by Parish Councils and on-going discussions between the Borough and Parish Councils in relation to this.
- The work of the Council's working groups mitigating the effects of the closure of Swindon's Honda manufacturing plant.
- Plans in respect of the development of the town centre, including the cultural quarter and heritage zone, together with support for existing and new businesses.
- How the success of projects to support the town centre might be better

- communicated to the general public.
- Mitigation work in respect of the Council's Information Technology systems and data recovery protocols.
- The maintenance and updating of the Council's continuity plans.

Resolved - (1) That the report be noted and that the risk management approach and processes and risks captured in the Corporate Risk Register be endorsed. (2) That the officers be thanked for attending the meeting and for their full and open responses to members' questions and observations on matters relating to the Council's Corporate Risk Management Strategy and specific issues relating to the key risk areas identified in the Corporate Risk Register.

(3) That a report be submitted to a future meeting of this Committee setting out progress in the Legal Department Improvement Plan and in respect of any outstanding transfers of assets.

(4) That the Council's legal team be included within the Corporate Risk Register.

24. Internal Audit Report: Transport Compliance

In accordance with its established practice of considering at least one individual audit report at each meeting, the Committee received a report on the outcome and key findings of the Internal Audit Review of Premises Management. The audit had been undertaken at the request of the Corporate Director of Communities and Housing to assure him that the Council was compliant with the Goods Vehicle Operators Licensing undertakings.

The Head of Internal Audit introduced the report, providing a current position statement in relation to the implementation of the internal audit recommendations and also responded to members' questions on issues raised regarding identified risk areas, the management response to the audit conclusions and key recommendations.

The Corporate Director of Communities and Housing and Ian James Head of Service, Streetsmart, gave a brief presentation on progress in implementing the action plan and recommendations of the audit which had been accepted in full.

The Corporate Director of Communities and Housing, Head of Streetsmart and Transport Compliance Manager answered questions and responded to matters raised by the Chair and Councillors Malcolm Davies, Nick Martin and Kevin Small relating to the following issues:

- Changes in procedures at the vehicle depot to ensure full compliance with regulations and best practice.
- The composition of the Council's vehicle fleet and the current vehicle replacement policy.
- Union involvement in the monitoring of vehicle speeds, driving assessments, training and health and safety compliance.
- The new system for checking drivers' licences were compliant with the categories/class of vehicles driven.
- The process for identifying staff driving in excess of speed limits and the process for dealing with staff breaking speed limits or health and safety regulations.

Resolved - That the report, and the management response to the audit review recommendations, be noted.

25. External Audit - Annual Letter

Mr Steven Johnson (Grant Thornton) presented the Council's Annual Audit Letter for the Year ending 31st March 2019 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 31st March 2019 and highlighted issues the auditors wished to draw to Members' attention.
- 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 31st July 2019.
- 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.

Resolved – (1) That the External Annual Audit Letter prepared by Grant Thornton for the Year ending 31st March 2019 be received and noted.

(2) That Mr Steven Johnson be thanked for his presentation.

26. External Auditor 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 31st March 2018.

Mr Johnson presented the report and highlighted:

- Forward planning for the 2019/20 External Audit in liaison with the Council's Chief Executive and Section 151 Officer; it was hoped the plan would be available for the Audit Committee in January 2020.
- The signing of the 2018/19 Statement of Accounts on 31st July 2019 with the completed Whole of Government Accounts submission completion on 20th September 2019.

- Work on Value for Money in accordance with the National Audit Office Guidance and its three sub criteria of Informed Decision Making, sustainable resource deployment and working with partners and other third parties.
- The conclusion of the Housing Benefit Audit by the end of November 2019.
- On-going work to certify claims in respect of the Teaches Pension Return and the Pooling of Capital Receipts Return.
- A draft list of dates for reports from the External Auditors to the Committee.
- A precise of the Sector Update set out within the External Auditor's report including the MHCLG independent probe into local government audit.

In their consideration of the report and presentation members discussed:

- The complexity of current audit reports and the move in the private sector to make these more understandable.
- The trend within local government to reduce fees payable to External Auditors and, whilst complying with the code and regulations, the effect on the level of work therefore undertaken as a result.
- The complexity of national and international audit codes and regulations for public sector accounts and the role of CIPFA in drawing up standards.
- The distinction between value for money for a project from an accounting stance and from a political point of view.
- An explanation of the Teaches Pension Return and the Pooling of Capital Receipts Return audits.

Resolved – (1) That the report be noted.

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

27. 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 2019/20.

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.

Resolved – (1) That the Internal Audit Charter be approved.

(2) That the appointment of an independent member to serve on the Audit Committee not pursued at this stage and that this decision need not be considered on an annual basis.

28. 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 2018 and was before members for its annual review.

Resolved – That the Internal Audit Charter be approved.

29. 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 2019, progress made against the Annual Internal Audit Plan 2019/20 and Internal Audit staffing and resource issues.

- The revised layout for audit reporting within the report to help the Corporate Management Team to review the high priority audit recommendations that have not been completed or implemented within approved timescales.

Resolved - That the report be noted.