

## **Audit Committee**

This report summarises the items considered by the Audit Committee on Thursday 27<sup>th</sup> June 2019:

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### **6. Internal Audit Annual Activity Report 2018/19 (Agenda Item 6)**

The Assistant Director of the South West Audit Partnership (SWAP) introduced the Internal Audit Annual Activity report for 2018/19. He drew Members attention to the audit work in progress, the risk definitions and partial assurance audit. He noted that although the Council's current lone working policy had only received a partial assurance, this was not a high risk to the authority and it was acknowledged that the Council were currently working on a new lone working policy.

He confirmed that he would share the Internal Audit Plan for 2019/20 which was agreed at the Audit Committee meeting in March 2019 with all Committee members.

In response to questions from Members, the Assistant Director (SWAP) and the Director for Strategy and Support Services confirmed:-

- Lone working covered officers working in the community, attending meetings at remote or other locations as well as officers working from home.
- The Council had introduced Skyguard pendants which geo-located officers and were activated by them in cases of emergency. This could be extended to Councillors when carrying out their Ward work or Councillor surgeries.
- Several of the Council services operated 'red flags' to register potential dangerous customers and the Council were working to integrate those identified into one system whilst taking account of the GDPR rules which allowed for the right to be forgotten.
- Officers could opt to work at home and there was no requirement to do so. For some people the working environment at home may not be suitable and therefore this was one reason why working from home was optional.

At the conclusion of the debate, Members were content to note the progress made in delivery of the 2019/20 Internal Audit Plan.

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### **7. Internal Audit Annual Report and Opinion 2018/19 (Agenda Item 7)**

The Assistant Director of the South West Audit Partnership (SWAP) introduced the Internal Audit Annual Report and Opinion 2018/19 which was the annual opinion of governance and risk throughout the year. He advised that the Audit Committee were responsible for internal controls and governance and the report offered reasonable assurance which was good with room for improvement.

In response to questions from Members, the Assistant Director (SWAP) advised:-

- Neither of the two significant Corporate risks identified were assessed as high.
- Although the supplier financial resilience was assessed as a medium risk, because SSDC did not have any large outsourcing contracts, this was not a great risk.

- The report was broadly in line with previous years but due to the Transformation Programme, some controls were weaker but this was expected.
- SSDC paid a fee for the Audit service however, if a request for additional information was made and if it was felt beneficial to that authority or others, then the Partnership would seek to do this work as 'added value'.
- The SWAP Partnership complied with Institute of Internal Auditors (IIA) standards and were externally assessed every 3 years.

At the conclusion of the debate, members were happy to note the Internal Audit Annual Report and Opinion 2018/19.

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## **8. 2018/19 Treasury Management Activity Report (Agenda Item 8)**

The Finance Specialist introduced the report and drew Members attention to the Council's performance on its investments, noting that property and pooled funds had performed the best. He said that Arlingclose provided financial advice to the Council and the finance team spoke regularly to them. He advised that money was not borrowed unless required and it was mostly to cover the Council's commercial strategy. He concluded that the Council agreed their own prudential indicators as required by the Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.

In response to questions from Members, the Section 151 Officer advised:-

- Treasury Management was one of several factors which fed into the Council's financial strategy and budget. Council had set a savings target of £6m per year and so good treasury management was resulting in improved investment returns to contribute to the savings.
- SSDC had been debt free for many years and whilst the borrowing requirement had increased due to commercial investments, through treasury arrangements the Council was using the most cost effective approach by using SSDC funds, which could be cheaper than taking out actual loans from the Treasury or other financial institutions.
- The next Treasury Management Strategy would be produced in line with the Council's budget and presented to Council in February 2020.
- The Council's cash flow changed on a daily basis as council tax and business rates were collected. These were usually at their lowest at year end so short-term borrowing was used to manage cash flow requirement at low interest rates for that period, keeping costs to a minimum.

At the conclusion of the debate, Members unanimously agreed to note recommendations a – d and recommend the 2018/19 Treasury Management Activity Report to Council.

**RESOLVED:** That Audit Committee agreed to:

- a. note the Treasury Management Activity for the 2018/19 financial year;
- b. note the position of the individual prudential indicators for the 2018/19 financial year;
- c. note the outlook for the investment performance in 2018/19;

- d. note the council operated within all of the Prudential Indicators during 2018/19;
- e. recommend the 2018/19 Treasury Management Activity Report to full Council.

**Reason:** To review the treasury management activity and the performance against the Prudential Indicators for the 2018/19 financial year

*(Voting: unanimous in favour)*

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## **9. Review of Effectiveness of Internal Audit 2018/19 (Agenda Item 9)**

The Section 151 Officer said it was important that the Council had an effective internal audit and it was his duty to ensure that proper arrangements were in place and standards were followed. He said that regular meetings with SWAP officers and engagement with the Senior Leadership Team on a quarterly basis were part of this. The level of customer satisfaction in the conduct of audits was high as their outcomes provided positive impacts on services. Although there had been an advisory report on the Transformation Programme there were appropriate levels of control going forward. He concluded that the internal audit function had been effective during the past year and ways of improvement were always sought.

In response to questions from Members, the Assistant Director (SWAP) advised:-

- There was an element of risk management as officers brought forward ideas and these were challenged by SWAP in its critical friend role.
- There would be follow up reports on the supply resilience work.

At the conclusion of the debate the Chairman thanked the Finance team for their informative and positive reports.

**RESOLVED:** That Audit Committee noted the findings of the Internal Audit review including the opinion of the Section 151 Officer regarding the effectiveness of the internal audit function.

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## **10. Appointment of an Independent Person to the Audit Committee (Agenda Item 10)**

The Director for Strategy and Support Services said the request for an Independent person on the Audit Committee had come from Members, and, following advertisement of the position, applications would be considered by the Audit Committee.

The Chairman and Section 151 Officer both voiced their support for the appointment and, on being put to the vote, it was unanimously agreed to ask that Council approve the appointment of an independent person to sit on Audit Committee for a period of two years and approve the advert, role description, skills and competencies and person specification at Appendix A.

**RESOLVED:** That Audit Committee recommended that Council:

- a. approve the appointment of an independent person to sit on Audit Committee for a period of two years
- b. approve the advert, role description, skills and competencies and person specification at Appendix A.

**Reason:** To seek approval to appoint an independent person to the Audit Committee with appropriate skills and experience to supplement those of the elected members and improve the effectiveness of the Audit Committee.

*(Voting: unanimous in favour)*

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Martin Carnell  
Chairman of Audit Committee