

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 28 November 2018 at 11.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor B Crowe, Councillor P Handley and Councillor B Wells

APOLOGIES FOR ABSENCE: Councillor D Payne

57 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

That no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

58 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

59 MINUTES OF THE PREVIOUS MEETING

AGREED That the Minutes of the meeting held on 25 July 2018 be approved as a correct record and signed by the Chairman.

60 TREASURY PERFORMANCE HALF-YEARLY REPORT

The Assistant Business Manager- Financial Services presented the Treasury Management Performance half yearly report. The report provided an update on the Council's treasury activity and prudential indicators for the first half of 2018/19. None of the Prudential Indicators have been breached and a prudent approach had been taken in relation to the investment activity, with priority being given to security and liquidity over yield.

Members noted the new international financial reporting standard (IFRS) 9- Financial Instruments. Officers had prepared workings papers for all the current live investments that were held before IFRS9 was implemented, on the business model of 'achieve objectives by collecting contractual cash flows' and confirmed with the Councils External Auditors, Mazars, that the impact would be immaterial.

Members considered the prudential indicators, the economic background and local context, levels of borrowing and investment activity. Members noted that the Council had been notified by Lloyds bank plc, the Councils current banking service providers, that they had reviewed the contractual arrangement with its local authority customers, and concluded that each local authority should enter into an agreement where a set off or transfer of credit balances in accounts held with the bank, in or towards the satisfaction of any liabilities can be carried out. The Council had been

successfully operating this process since transferring over to Lloyds in 2017 and the agreement allowed the Council to continue to have credit and debit balances across all of its Lloyds bank accounts.

Members considered, in detail, the capital expenditure for 2018/19. The Committee requested a report at their next meeting detailing carry forwards and the process for seeking approval for a carry forward, and a comparison on the carry forward from 2017/18. They were concerned that the Council would be required to undertake borrowing to fund projects which were then carried forward. The Business Manager-Financial Service explained that there was no borrowing at the moment, and where possible, internal borrowing would be preferential, to avoid interest costs.

AGREED

- (a) that members approve the new Prudential Indicator for Interest Rate Exposure contained within the Treasury Management Strategy as per section 5 and recommend to full Council on 11 December;
- (b) the treasury activity be noted;
- (c) the Prudential Indicators detailed in Section 10 of the report be noted;
- (d) the business model applied to all current investment re IFRS9, section 4.5 and section 9.2, is to 'achieve objectives by collecting contractual cash flows'; and
- (e) the Lloyds Set Off agreement as detailed at 12.1 and 12.2 is noted and approved.

61 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2017/18

The Business Manager- Financial Services, presented the External Auditors Annual Audit Letter, 2017/18. He explained that KPMG had now been replaced by Mazars, and as such this was the last report from KPMG the Committee would receive.

KPMG had issued an unqualified opinion on the Statement of Account and Value for Money arrangements on 31 July 2018. Members noted an additional fee of £2,398 for additional work undertaken in relation to the valuation and sale of Kelham Hall. Helen Brookes of Mazars confirmed that the fee would be subject to approval by Public Sector Audit Appointments.

AGREED that the Committee considered the External Auditor's Annual Audit Letter 2017/18.

62 INTERNAL AUDIT PROGRESS REPORT

The Principle Auditor- Assurance Lincolnshire was in attendance to present the Internal Audit Progress report. The Committee heard that 7 audits had been issued during the period, ICT PCIDSS with limited assurance and a further 6 with substantial assurance. These were IR35, S106, Risk Management, Active4Today creditors, Key controls and ICT Meritec system.

Regarding the ICT PCIDSS audit, the Business Manager- Financial Services reported a reply from the Assistant Business Manager ICT. He reported that ICT had made significant progress towards PCI compliance and had tried to achieve this over a 4 year period. A recent audit suggested that ICT start a fresh on PCI-DSS, which would begin January 2019 with an expected completion date by April 2019. Previous GAP analysis suggests that the whole network was in scope, therefore a Self-Assessment level D was likely. Information provided suggests this was due to telephone payments taken without a midcall solution which hands off the payment phone calls to an external provider and then confirms the payment has been taken.

Members also noted audits in progress and outstanding recommendations. A 'spot check' of 6 recommendations revealed that all 6 had been implemented and there was sufficient evidence to support the actions taken.

AGREED that the Committee considered and noted that progress report.

#### 63 COUNTER-FRAUD ACTIVITY REPORT

The Business Manager- Financial Services presented a report detailing the Counter Fraud activities undertaken from 1 April 2018 to 30 September 2018.

Members noted that since 1 December 2015, 105 potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation. An annual strategic risk review was completed with CMT during July 2018. This considered all risks that the Council faced inclusive of the fraud risks. It was felt that the fraud risks needed to be held with more prominence within the performance management system to ensure that they were reviewed in timely intervals and to help develop practical measures to mitigate the risks. The fraud risks had been re-categorised as operational risks.

Work on the National Fraud Initiative 2018/19 would commence in January 2019. During 2017/18 period initiative, 1,229 Council Tax single person discount awards were investigated. Of the matches generated by NFI, 60 cases of suspected fraud were identified amounting to £17,226.

AGREED that the report be noted.

#### 64 RESPONSES TO QUESTIONS RAISED AT PREVIOUS MEETING

In response to a query regarding hybrid mail, the Business Manager- Financial Services informed the Committee that the current status of Hybrid Mail was the the existing contract with Canon Business Services had been extended for 2 months up to 30 November 2018 to enable the Council to complete the User Acceptance Testing for the new contract. The new contract would use the same software platform to process mail but use Nottinghamshire County Council (NCC) to print, fulfil the envelopes and post it. It was anticipated that there would be an improvement in doorstep mail delivery times due to the fact that mail is fulfilled 'locally' by NCC within Nottinghamshire and handed over to Royal Mail in Nottingham for processing and subsequent delivery to addressees within our District.

65 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme.

66 DATE OF NEXT MEETING

Wednesday 6 February 2019, 10am, Castle House.

Meeting closed at 11.52 am.

Chairman