



Telford & Wrekin
C O U N C I L

Addenbrooke House Ironmasters Way Telford TF3 4NT

AUDIT COMMITTEE

Date **Thursday, 1 October 2020**

Time **6.00 pm**

Venue **Remote Meeting**

Enquiries Regarding this Agenda

Democratic Services	Jayne Clarke	01952 383205
Media Enquiries	Corporate Communications	01952 382406
Lead Officer	Anthea Lowe, Associate Director: Policy & Governance	01952 383200

Committee

Councillors N A M England (Chair), V J Holt, J E Lavery, A Lawrence, K S Sahota, C F Smith (Vice-Chair) and W L Tomlinson

Membership:

AGENDA

3. **Minutes of the Previous Meeting**

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To confirm the minutes of the previous meeting.

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AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 14 July 2020 at 6.00 pm in Remote Conference

Present: Councillors N A M England (Chair), V J Holt, J E Lavery, A Lawrence, K S Sahota, C F Smith (Vice-Chair) and W L Tomlinson

In Attendance:

Apologies: Councillors

AU39 Apologies for Absence

None Received

AU40 Declarations of Interest

None.

AU41 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 28 January 2020 be confirmed and signed by the Chair.

AU42 Review of the Audit Committee Terms of Reference

The Chair informed the Members of the requirement to review the terms of reference at the first meeting of the Audit Committee during the municipal year as laid down in the constitution.

There were minor changes to the terms of reference and Members were asked that these be noted and that the terms of reference be adopted by the Council at the July 2020 meeting.

RESOLVED – that

- a) the terms of reference be noted; and
- b) the terms of reference be put before Council for adoption at the July 2020 meeting.

AU43 Outline of Audit Committee Business for 2020/21

The Chair referred Members of the Committee to the outline business for the 2020/21 municipal year contained within the pack of papers. There were no questions or comments on the proposed schedule which was for noting.

RESOLVED – that the outline of business for the municipal year 2020/21 be noted.

AU44 **Treasury Management - 2019/20 Annual Report and 2020/21 Update**

The Finance Manager presented the treasury management activities for 2019/20 and gave an update of the position for 2020/21 to date. The treasury portfolio ended the year with net indebtedness of £245.7m which was a reduction of £5.5m over the year. The base had been reduced twice during 2020 and remained at 0.1%. It was expected that low rates would remain for a considerable period due to Covid 19 and a zero or negative rate could not be ruled out. The borrowing strategy for 2019/20 was temporary borrowing at low interest rates, reviewing longer term borrowing as appropriate. Maintaining high levels of cheap temporary borrowing had contributed to a surplus treasury management surplus of £20m since 2015/16.

Overall the treasury delivered a net over-achievement of £3.837m against the budget in 2019/20 which helped the Council's bottom line. Longer term borrowing during the year was undertaken following advice from Arlingclose which was to manage the exposure to fluctuations of interest rates. The 2020/21 strategy remained consistent with that of 2019/20 taking close advice from Arlingclose, particularly in respect of counterparty advice and borrowing updates. The Council faces many pressures and from a treasury perspective especially around the monitoring of the cash flow and maintaining sufficient funds to maintain financial obligations. Some emergency Government funding had been received which had assisted and been able to borrow temporary funds at lower interest rates. If temporary funds became unavailable, longer term PWLB borrowing would be undertaken, however 4% had been budgeted for new borrowing and this should be sufficient to cover in the eventuality it is needed. Prudential borrowing would be required under the current capital programme and advice would be sought prior to investing in longer term borrowing and all prudential indicators during 2019/20 had been met.

The Group Accountant gave an overview of the regulation framework relating to treasury management and the CIPFA Code.

The portfolio position as at 2019/20 was set out in the table ie net indebtedness against the borrowings and this included the Nuplace investments. Slightly better indebtedness between the years as due to the Covid 19 pandemic payments made by the Government right at the end of the last financial year.

The report also set out details on regarding the Council's finances due to Brexit, Covid 19 impacts, financial markets and the creditworthiness of institutions that the council will deal with in respect of investments. With regard to borrowing, the original assumption at the start 2010/20 was 0.75 % and these were due to rise, but due to the impact of Covid 19 two interest rate cuts saw this fall to 0.25 and then to 0.1% mid March.

In 2019/20 the Council took out £25m of new PWLB loans and £7.9m matured through the year. All loans were taken prior to the PWLB rate increase imposed by treasury. No PWLB loans were repaid or rescheduled in advance or early. Investments would be managed in house maintaining a diversified portfolio in order to manage risk. All investments were short-dated in order to maintain cash flow and liquidity. Over the year the Council achieved an average rate of return of investments of 0.57% against the benchmark of 0.44%. The Council operated within the treasury limits and prudential indicators set at the start of the year and there were no breaches during the year.

The 2020/21 update up to 31 May 2020 reported that the Treasury strategy was approved at Council on 5th March 2020. No new PWLB loans have been taken and during 2020 £7.9m of PWLB loans will mature. Performance throughout the year will be closely monitored by officers due to Covid 19 impacts on the treasury position.

During the discussion some Members questions with regards to whether any new borrowing had been taken out this year, the level of risk and the main risk being that of the to the debt management office and the sort of investment that it was and was the company British or European due to ethical investment.

The Finance Manager reported that now new PWLB borrowing had been taken out in 2020 and that the only borrowing undertaken was for cash flow purposes. At 31 May we have money in Lloyds which earns interest and as much as possible in the Debt Management Office which was Government backed. The Money Market Fund was diversified across many counterparties and it was a secure way of borrowing although nothing was risk free. The investments were not just in British Companies, but details could be circulated to Members in this regard.

RESOLVED – that the report be noted.

AU45 External Audit Interim Report 2019/20

Grant Thornton presented the External Audit Interim Report which reported on the impact on the Covid 19 pandemic on the audit, the value for money (vfm) approach and audit fees. The Covid 19 impact has included remote working, property valuations and financial uncertainty. Vfm approach emphasised that this year's focus would be on financial sustainability and the financial outlook for the Council. With regard to Audit fees, a scale fee of £90,182 had been set, but an additional £11,000 had been discussed due to the regulator focus on audit quality since the PSA contract had been let and some additional time and fee due to new IRFS16 the new leasing standards.

During the discussion some Members raised the impact of Covid and Section 114 clause and if our Council was near to that.

Grant Thornton explained that a S114 notice was where the S151 Officer made a judgment that the authority was unable to carry on its business in a financial way – ie set a balanced budget and it was a statutory regulation to report those facts to members and publish a report. There were a number of authorities that were in this position moving towards 2021/22 due to the impact of the draw down of balances/

The Assistant Director: Finance & HR informed Members that the Council had started the year with an underspend and had reserves going forward. Extensive monitoring was taking place. Some £10.1m additional funding was received from the Government but there were continuing additional pressures and further funding was announced on 2 July 2020. Deficits could be repaid over three years rather than one year and additional grant monies had been announced, but the Council was unsure of the split. Shortfalls and charges above 5% would be met by the Government but the Council had not yet received details of the scheme. A report would be taken to Cabinet in a budget review in the Autumn, but Members could be reassured that the Council was nowhere near a S114 notice and welcomed the additional Government help.

AU46 External Audit Plan Addendum

Grant Thornton gave a brief summary on the Audit statement and the Value for Money (vfm) position. Timescales had now changed due to the unusual circumstances and at this time they would normally be presenting an Audit Findings Report to close out the audit. The financial statements audit was substantially complete except for a few key areas and they were working with the Council with regard to valuation questions on PPE investment properties and anticipated that they would be able to issue their opinion well ahead of new statutory deadline of 30 November 2020. The vfm conclusion also ran to same deadline and would be looking at the financial sustainability of the Council and would report back in the audit Findings Report in the Autumn. Grant certification work would be undertaken with relation to housing benefit subsidy and around teachers pensions returns and these were running to similar timelines. Due to the new contracting rules with the PSA, Grant Thornton were no longer required to produce an Audit Fee Letter and the fee setting ran on a slightly different timescale and this would be discussed in late Summer early Autumn when looking at the 2020/21 audit. The report also referred to the effects of Covid 19 and the audit deliverables timetable and an indication of the areas that the audit was working to. The interim audit work was very positive and there had been no weaknesses had been identified.

During the discussion some Members asked for some assurance on the brought forward balances and the debtors and creditors not being reconciled back to the nominal ledger and the VAT account which came across from the previous external auditors

Grant Thornton addressed Members that there were different approaches to the debtor and creditor balances and the difficulty was obtaining granular level information from the reports previously done. There were still some issues

around sundry debtors and creditors and mostly these have been broken down into headings and sub-headings but this is still being worked on and a workaround has been found but we will continue to look at this going forward. With regards to the VAT similarly the Finance Team have been looking back through the archives but at this point it has not been established how this has arisen and it has not yet been resolved. This will be kept as a risk and a reserve will be put in place to mitigate this.

RESOLVED - that the report be noted.

AU47 Informing the Risk Assessment

Grant Thornton gave an overview of the report which set out their understanding of the control and management of the environment. The key areas were general enquiries of management, fraud, laws and regulations, use of the going concern assertion, related party transactions and a summary of accounting estimates. Members attention was drawn to valuation of PPE and investment properties and in particular the accounting policy to ensure that the Council moved towards a three year programme rather than a five year programme in order to lessen issues regarding the value of assets not being revalued in year. With regard to the identification of fraud this would relate to a material fraud ie a misstatement in the accounts within the financial reporting. Enquiries are made of management to identify any specific fraud risks. The report contained a detailed account of the control environment together with compliance in relation to laws and regulations and the Council had a robust set of assurances in place. With regards to the going concern assertion with regard to Covid 19, and have assessed the Council has a very robust financial position and an update will be received through the Audit Findings Report although there we no immediate concerns. Related parties was in line with what was expected.

RESOLVED – that the report be noted.

AU48 Joint Report on the Internal Audit Report 2019/20 & the Audit Committee Annual Report 2019/20 Annual Audit Plan

The Chair asked Members if they had any questions or comments on report. There were none forthcoming so it was:

RESOLVED – that

- (a) the Internal Audit Annual Report for 2019/20 be noted;
- (b) the operations of the Audit Committee for 2019/20 be noted; and
- (c) the Internal Audit Plan 2020/21 be approved.

AU49 Information Governance & Caldicott Guardian Annual Report 2019/20

The Chair asked Members if they had any questions or comments on report. There were none forthcoming so it was:

RESOLVED – that

- (a) the Information Governance & Caldicott Guardian Annual Report for 2019/20 be noted;
- (b) the IG Work Programme for 2020/21 be agreed.

AU50 **Corporate Anti-Fraud & Corruption - 2019/20 Annual Report and Policy Update**

The Chair asked Members if they had any questions or comments on report. There were none forthcoming so it was:

RESOLVED – that

- a) the 2019/20 Annual Report on Corporate Anti-Fraud and Corruption activity be noted; and
- b) the updated Policy be agreed

AU51 **The Annual Governance Statement 2019/20**

The Chair asked Members if they had any questions or comments on report. There were none forthcoming so it was:

RESOLVED – that the Annual Governance Statement 2019/20 be approved.

The meeting ended at Time Not Specified

Chairman:

Date: Thursday, 1 October 2020