

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 28 January 2020 at 6.00 pm in Meeting Rooms G3/G4, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT**

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

**In Attendance:**

**Apologies:** Councillors A Lawrence

**AU32      Declarations of Interest**

None.

**AU33      Minutes of the Previous Meeting**

**RESOLVED** that the minutes of the meeting held on 1 October 2019 be agreed and signed by the Chair.

**AU34      2020/21 Treasury Strategy and Treasury Update Report**

P Katrak, Arlingclose, gave a powerpoint presentation on the Treasury Strategy and the management of the Council's borrowing.

The Finance Manager presented a report on the 2020/21 Treasury Strategy and an update on the Treasury Strategy which would go before Cabinet and Council. Throughout recent years, the Council had taken a prudent approach to third party investments so as to minimise risk to the Council. The Council's approach to borrowing had enabled it to take advantage of lower interests rates allowing it to generate treasury management returns of more than £17m in recent years. It was expected that a future report to Audit Committee would show a £3.2m surplus for the 19/20 budget. PWLB rates had increased in October 2019 and the associated impact had been built into the budget strategy going forward. The Council's Minimum Revenue Provision Statement Policy (MRPSP) remained in line with that previously agreed.

The Group Accountant gave an update on the 2019/20 Treasury Management between the period 1 June 2019 and 31 December 2019. Interest rates had remained at 0.75% and Arlingclose expected the base rate to remain at 0.75% for the foreseeable future although this did depend on Brexit.

The Group Accountant also reported on the Treasury Management Strategy for 2020/21 which gave an overview of the Council's borrowing and investments and their associated risks. The Treasury risk management was conducted within the framework of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council required to approve a treasury

management strategy prior to the start of each financial year. The Council's strategy, this remained in line with previous years; the balance sheet forecast showed that the Council expected borrowing to increase by year end and to continue to do so over the next few years. An update was given regarding the investment strategies and activities, investments, approved counterparties, ethical investments, 2020/21 Minimum Review Provision Statement (MRP) and the training requirements for Members and Officers. Arlingclose continued to be the Council's external treasury management advisors.

During the discussion some Members raised the impact of a negative interest rate. Other Members asked why Nuplace was listed as a stand alone company.

P Katrak reported that a recession may mean that interest rates were cut to a negative rate, but that this was unlikely to happen and the rate was likely to remain at zero.

P Harris confirmed that Nuplace was listed separately in order for the Council to be clear and transparent and to comply with legislative requirements for companies.

**RESOLVED that:**

- a) **the Treasury Management activities for the first half of the year be noted;**
- b) **the Treasury Management Policy Statement be noted; and**
- c) **Cabinet and Full Council approve the Treasury Strategy, including the Annual Investment Strategy for 2020/21 together with the associated treasury Prudential Indicators and the Minimum Revenue Provision Statement which would apply from 2019/20 onwards.**

**AU35      External Audit Plan 2019/20**

Grant Thornton, External Auditors, reported on the External Audit Plan 2019/20 and gave a summary of the key headlines which included risks, value for money, logistics and the independence of the audit. A significant risk identified under International Standards on Auditing - ISA (UK) 240 relating to fraud arising from revenue recognition had been considered. It had been determined that the risk of fraud arising from revenue recognition could be rebutted as there was little incentive, and very limited opportunity, to manipulate revenue recognition. Work was to be undertaken to evaluate the effectiveness of controls over journal entries and adjusting entries and to address the controls and risks. With regard to the valuation of the Council's pension fund net liability they would look to work on the input of the calculation, its methodology and actuary of the technical work. The valuation of land and buildings would involve evaluating the management's processes and assumptions for the calculation of the estimate, a rolling revaluation

programme and work on assumptions. International Financial Reporting Standard IFRS16 was a new accountancy standard for 2020/21 financial statements which evaluated the substance of transactions involving the legal form of a lease. A Value for Money (VFM) risk assessment was being undertaken and key risks would be reported to the Audit Committee in May 2020. The Annual Audit Fee would increase by £9,000 this year due to additional work required regarding property, plant and equipment. Fees would be increased by £11,000 to £101,000 which would be included within the projected letter. This was due to a general increase in work and work around property plant and equipment, revisions and the new leasing standards.

During the debate some Members raised if the additional work would mean that the opinion on the account would be delayed and if there would be separate accounts for Nuplace. Other Members asked whether the External Auditors could guarantee that there would be no unexpected late costs.

R Percival, External Auditor, explained that the timelines of the audit had been due to issues on the External Audit side and that this year it was envisaged that the audit would be completed by the end of July. With regard to the late fee increase, if something significant was found which had an impact on the accounts then this work would need to be undertaken with an additional fee. However, no issues had been identified at that time which would lead to any further increase.

K Clarke, Director: Finance & Human Resources reported that Grant Thornton had undertaken the audit for Nuplace last year and if they continued to undertake the audit during the current year it would be for a higher fee.

Members were asked to agree to the increased External Audit fee rate of £11,000 for the Council's audit, but it was conveyed to Members that this was still a considerable saving on the fee from the Council's previous accountants.

**RESOLVED - that the report be noted.**

#### **AU36      External Audit Grants Report 2018/19**

R Percival, External Auditors, gave a brief overview of the Audit Letter which summarised the audit findings. The key issues were that an unqualified opinion for the 2018/19 accounts had been given and all issues had been reported on. No other matters had been raised.

During the debate some Members asked if there was a deadline for filing the accounts and if there was a finish deadline.

R Percival, External Auditor, informed Members that 31 July was the deadline for the accounts being completed but if they were not ready there was no sanction for them being late.

**RESOLVED – that the report be noted.**

**AU37      Internal Audit Activity Report and Update to Internal Audit Charter 2020/21**

The Principal Auditor presented the report on Internal Audit activity during the period 7 September 2019 to 3 January 2020 and progress on the 19/20 Audit Plan. There were 69 audits on the annual plan, 11 had been removed or deferred, 13 had been completed and 11 were in progress or nearing completion. A meeting had taken place to review the plan and the changes to the plan were contained within the report. During the reporting period 12 audit reports had been completed with the gradings of risks being 1% high, 49% medium and 50% low. Overall gradings were 17% amber, 50% yellow and 33% green. One amber report was for Holy Trinity School who had since had a follow up and moved to yellow and the second was for Muxton Primary School with their follow up being arranged for March 2020. Quality Assurance work had been undertaken by the Audit & Governance Team Leader. Value had been added to the Internal Audit function by giving advice to schools regarding imprest accounts and setting up new processes and procedures for volunteers handling cash. A piece of work was currently being undertaken on the Adult Social Care systems and it was expected that this would be reported back to the Audit Committee in May 2020.

The Audit & Governance Team Leader presented the Internal Audit Charter 1 April 2020 to 31 March 2021. The Charter is presented to Members annually for approval and defined the Council and the community internal audit activity purpose, authority and responsibilities consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). The Charter had four changes which included giving assurance on other external bodies, formally reporting on independence and objectivity issues, the Committee having an input on the recruitment of the Chief Internal Auditor, together with input into the APPD for the Chief Internal Auditor.

During the debate some Members asked if there was a best practice for internal audit standards, and if Internal Audit were able to sell on their services.

The Audit & Governance Team Leader reported that the Public Sector Internal Audit standards were covered in the Charter and that potential commercial opportunities were being investigated. It was proposed by the Governance and Legal Service Delivery Manager that a meeting would take place between the Chair and herself in order to take for feedback for to the APPD of the Chief Internal Auditor.

**RESOLVED – that**

- a) the information contained in the report in respect of Internal Audit Work undertaken for the period 7 September 2019 and 3 January 2020 be noted; and**
- b) the revised Internal Audit Charter be approved.**

**AU38      Updated position of the AGS Action Plan 2018/19**

The Organisational Delivery & Development Manager presented the report on the AGS Action Plan which the Council used to promote and review the work of the Council in order to provide good governance. The AGS Plan 18/19 came to Audit Committee last May and the report gave an update on work and progress against the Action Plan up to December 2019.

The Organisational Delivery & Development Manager reported that the Corporate Risk Register would be reviewed in May 2020 and set out external policy, how the Council manages resources internally and the financial position which was set out in the Risk Register.

**RESOLVED – that the report be noted.**

The meeting ended at 7.23 pm

**Chairman:** .....

**Date:**            Tuesday, 14 July 2020