

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 20 July 2021 at 6.00 pm in Telford Room, Addenbrooke House, Ironmasters Way, Telford TF3 4NT**

**Present:** Councillors K S Sahota, C F Smith (Vice-Chair) and W L Tomlinson

**In Attendance:** K Clarke (Director: Finance & Human Resources), P Harris (Finance Manager), E Rushton (Group Accountant), A Lowe (Associate Director: Policy & Governance), R Phillips (Service Delivery Manager: Legal & Democracy), R Montgomery (Audit and Governance Lead Manager), T Drummond (Principal Auditor) and J Clarke (Democracy Officer)

**Apologies:** Councillors N A M England and A Lawrence

#### **AU1      Declarations of Interest**

None.

#### **AU2      Minutes of the Previous Meeting**

**RESOLVED** – that the minutes of the meeting held on 27 May 2021 be confirmed and signed by the Chair.

#### **AU3      Treasury Management Outturn 2020/2021 and Update 2021/22**

The Finance Manager presented the outcome of the Treasury Management activity during 2021 and the updated position for 2021/22 for the end of May. At year end there was a net indebtedness of £260.4m due to the covid 19 pandemic which had dominated 2020/2021. The bank rate had been cut to 0.1% in 2020 and that rate has continued to date but with the relaxation of the lockdown restrictions, growth was expected to recover later in the year. The borrowing strategy for 2020/21 was to take out temporary borrowing to take advantage of the low interest rates but reviewing opportunities for new longer term borrowing where appropriate. The temporary borrowing strategy had contributed to surplus treasury management returns of more than £26m since 2015/16 which had reduced the impact of cuts and help protect services. The 2021/22 strategy remained consistent and no long term investments were undertaken in order to reduce counterparty risks and long term borrowing costs. Regular advice was sought from Arlingclose and PWLB borrowing was in line with the programme.

The Group Accountant provided some background with regards to the regulations and the CIPFA codes to which the Council had fully complied. The 2020/21 outturn set out the portfolio with a comparator of a net increase on indebtedness due to increased borrowing and a reduction in investments

which was a reflection of a position in time and cash flow dependent. Some additional investment had taken place into NuPlace. The economic climate focussed on the markets and credit review, the impact of the covid 19 pandemic and the brexit trade del which came into force at the end of December 2020. Borrowing remained constant and assumptions for the budget and the interest rate of 0.75% which was in line with the requirements. With the impact of covid the bank rate fell in March 2020 and remained there for a year. No PWLB loans had matured during the year. The borrowing strategy remained constant with prior years with all short term borrowing managed in house and predominantly focussed on the impacts of the financial market. Shropshire Council debt repayments had an overall surplus of £5.7m and were in a good position. The treasury limits were compliant against the indicators. Two consultations have taken places in relation to CIPFA code and the prudential indicators and there will be changes that have come out of the consultation. Accounting standards for leases had been deferred until 2022/23.

During the debate some Members asked why Shropshire Council rates were at such a high level and how long was left to pay off the debt.

The Finance Manager explained that the rate formed part of the Unitary agreement and at that time the rate was low and it was up to Shropshire Council how they managed their strategy. Information would be circulated to Audit Committee Members.

The Director: Finance & Human Resources confirmed that the debt was a reducing balance and that the conditions were drawn up at the time of the agreement. With PWLB loans there was significant premium to pay this loan off early and it was more cost effective to pay a reducing amount each year.

Upon being put to the vote it was, unanimously:-

**RESOLVED – that the contents of the report and the performance against the Prudential indicators were noted.**

#### **AU4      External Auditor Update Report**

D Rowley, External Auditors, gave a brief verbal update on progress and to give the Committee some assurance on the Audit. By-weekly meetings took place with the Finance Team and so far there was a clean outcome and a handful of minor disclosure charges in the set out accounts. There were no headlines or misstatements but some small adjustments to items no longer needed on the balance sheet relating to schools and the consolidation of the group accounts which required a different account treatment. The performance in relation to materiality required one adjustment and a large change to the PFI disclosure was also required but the net value remained the same. In relation to the classification change there was one additional disclosure on the CIES income and expenditure statement and a change in the reporting lines and headings in order to comply with the CIPFA code. Some further narrative was required in the narrative in the financial statement

and a number of discussions were on going as to whether this added value but it was necessary to comply with the framework.

Good progress had been made in the final week of the Audit and the annual financial report would be brought to the September meeting with a summary of the field work which were not significantly progressed, these being LGPS liability and awaiting IS19 assurance letter from the Shropshire Pension Fund as their audit was still ongoing. They were not expecting any significant issues and not anticipating any delay in getting the reports and these were expected in August. It was envisaged that the External Audit could be closed and an opinion would come forward at the end of September prior to the statutory deadline.

#### **AU5 Publication of Information on Councillors who Traded with the Council during 2020/2021**

The Committee received the report on information that was due to be published on Councillors who traded with the Council during 2020/2021. The information had been collected as part of the final accounts process to provide better transparency, and was in addition to the declarations of interest.

The information provided details of the 2020/2021 year's value and a description of any payments made by the Council to any businesses/companies where that Member had an interest. This information would be readily accessible by the public and was published on the Council's website. It demonstrated the Council's co-operative commitment to openness.

#### **AU6 Strategic Risk Register Update**

The Audit and Governance Lead Manager presented the Strategic Risk Register which was updated in January 2021. A review of the register took place in June but no changes were made to the document that came before Members in January 2021. There was nothing of note to bring before Members.

Upon being put to the vote it was, unanimously:-

**RESOVLED – that the contents of the report to be published on the Council's website be noted.**

#### **AU7 Internal Audit Update Report**

The Audit & Governance Lead Manager presented the report on the progress of work undertaken by Internal Audit against the 2021/22 Internal Audit Plan between 1 April 2021 and 30 June 2021. During this time two audits had been completed and seven audits were in progress. Five reports had been issued with three being green rating and two having a yellow rating. An update on the cyber security work had now been completed and was now a

green rating. In relation to unplanned work, the team had been successful in securing new commercial contracts for two Town Councils and four Academy Trusts.

During the discussion some Members asked what was the difference between a good rating and a reasonable rating.

The Legal Advisor explained that reasonable rating had a sound system of control but a minor non-compliance.

Upon being put to the vote it was, unanimously:-

**RESOLVED** – that the planned work of Internal Audit undertaken between 1 April 2021 to 30 June 2021 and the unplanned work to date be noted.

#### **AU8      Review of the effectiveness of the Audit Committee 2021/22**

The Audit and Governance Lead Manager presented the report on the effectiveness of the Audit Committee. It was good practice for the Council and the Audit Committee to review its effectiveness and identify areas of improvement. The Committee was considered to be well run and fully functioning and had been praised during the last external assessment. It was proposed that an internal assessment would take place and that this had previously been deferred due to the covid pandemic and would be undertaken via a survey. Responses would then be compiled to highlight good practice and any further development required. It was proposed to send out the survey to stakeholders for completion by September 2021 with the results of the findings and the benchmarking exercise reported to the Audit Committee meeting in January 2022.

During the discussion some Members asked if the survey would be confidential.

The Audit and Governance Lead Manager confirmed that surveys could be returned anonymously if required but that the names would not be presented within the findings.

Upon being put to the vote it was, unanimously:-

**RESOLVED** – that

- a) the survey to measure the effectiveness of the Audit Committee be agreed; and
- b) the results of the effectiveness survey be presented to the January 2022 Audit Committee be agreed.

#### **AU9      Exclusion of the Press and Public**

The Chair announced the exclusion of the Press and Public from the meeting for the next item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**AU10      Capital receipts update**

The Committee received a verbal update on capital receipts; including progress on the programme of disposals and projected disposals. It was noted that every effort had been made and continued to be made to ensure the timing was right for each disposal.

The meeting ended at 6.42 pm

**Chairman:** .....

**Date:**            Tuesday, 28 September 2021