

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 29 January 2025 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG

Present: Councillors H Morgan (Chair), S J Reynolds (Vice-Chair), P Davis, N A M England, L Parker and T J Nelson

In Attendance: T Drummond (Principal Auditor), L Gordon (Mayor & Member Support Officer), P Harris (Finance Manager - Corporate & Capital Finance), R Montgomery (Audit, Governance & Procurement Lead Manager), E Rushton (Group Accountant), R Phillips (Registrars, Public Protection, Legal & Democracy Service Delivery Manager) and L Stanway

Apologies: Councillors W L Tomlinson

AU25 Declarations of Interest

None.

AU26 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 20 November 2024 be confirmed and signed by the Chair.

AU27 Telford and Wrekin Council Becoming Carbon Neutral Update

The Interim Service Manager: Community Services informed Members that tackling climate change was one of five priorities set out in the Council Plan. In July 2019, the Council declared a climate change emergency and made a commitment to reduce its carbon emissions to net zero by 2030. Members heard that through the support of a borough partnership the council was also playing a key part in helping the wider borough achieve the same target.

The Project Support Officer: Climate Change & Sustainability explained that the Climate Change team had been working closely with the Council's biT services on leisure centre updates totalling to a £1.1 million investment to improve energy efficiency. In addition, Members heard that the Council had undertaken a wide range of activities across its functions, including providing direct grants to residents who were in fuel poverty and support to those residents who can self-fund to install renewable technologies to their own properties, through NuPlace, building more energy efficiency homes and continuing to improve the walking and cycling routes in the borough. There had also been further delivery of Electric Vehicle charging points across the Borough and the introduction of a car club for staff to reduce the council's business mileage emissions. The Committee were advised that as a result of the Council's efforts, in 2023/24 the Council achieved an overall reduction of

61% in CO₂e emissions from a baseline of 2018/19. Members were asked to note that this was ahead of the 16% reduction based on a straight-line year on year reduction.

Members expressed their appreciation for the update and the efforts of the team and the significant commitment to reducing carbon emissions across the Council's services. Members noted the increased interest from businesses in these initiatives and echoed the need to promote eco-friendly practices and aligning business interests with the Council's environmental goals. However, the Committee requested greater clarity on how specific actions contribute to CO₂ reduction and associated costs and more information regarding the EV charge point rollout. The Interim Service Manager: Community Services advised that this was still under consideration and that it was to be addressed in a future report to the Committee.

Members noted the update.

AU28 Treasury Management Update Report 2024/25 and Treasury Management Strategy 2025/26

The Group Accountant provided the Committee with an overview of the Treasury Management Update Report 2024/25 and the Treasury Management Strategy 2025/26 recommended to be adopted for 2025/26, which the Committee were required to consider before it was to be presented to Full Council.

Members heard that the strategy for 2024/25 and previous years had been to limit investments in third parties, which reduced the Council's exposure to counterparty risk, and where possible and appropriate to take advantage of lowest interest rates for borrowing. The Committee were advised that maintaining high levels of very cheap temporary financing had generated surplus treasury management returns of more than £30m since 2015/16 which had reduced the impact of Government cuts to the Council's grants and therefore helped to protect front line services. The Group Accountant informed Members that the Council's Medium Term Financial Strategy for 2024/25 and the Cabinet's proposals issued for consultation in January 2025 for 2025/26 to 2028/29 included an allowance for interest rates based on advice from the Council's independent treasury management advisors which ensured that the Council's budget in relation to Treasury Management was as robust as possible. The Council would continue to receive regular advice from independent expert advisors specialising in all aspects of local government treasury management and would act in accordance with the advice received. The Committee were asked to note that the Council had an excellent track record of complying with all the treasury management and prudential indicators and limits agreed by Council and were operating well within the overall approved credit ceiling.

The Group Accountant advised the Committee that the strategy for 2024/25 remains consistent with that outlined in the 2024/25 Treasury Strategy which was agreed for approval at Full Council on 29 February 2024 and by the Audit

Committee on 31 January 2024. The Strategy was also a continuation of that used in recent years which has provided considerable benefits to the Council. Members heard that a large part of the Council's total existing borrowing and planned further borrowings related to funding projects which delivered important and significant housing and regeneration benefits as well as generating some income. These were budgeted to generate returns in excess of the annual loan repayment charges and other operating costs.

Following the presentation, Members extended their thanks to the Link Group for the training and ongoing support provided to the committee and expressed appreciation to the officers involved in developing the strategies that enable the council to generate revenue through investments, which in turn benefit local residents. The Committee sought clarification on whether capital investment projects must demonstrate a social benefit rather than being solely for financial return, and were advised by the Group Accountant that this was the case, and that the majority of increased spending was directed toward initiatives that deliver tangible benefits within the borough. The Group Accountant cited NuPlace as an example, which focused on providing social housing and protecting green spaces. The Committee highlighted the importance of understanding the relationship between borrowing and assets, noting that the council's assets significantly outweigh its borrowing and stressed the importance of monitoring prudential indicators.

Upon being put to the vote it was:

RESOLVED - that:

- a) the treasury management activities to 31 December 2024 (Appendix A) be noted
- b) the Treasury Strategy 2025/26, including the Annual investment Strategy, together with the Minimum Revenue Provision Statement and Treasury Management Prudential Indicators be recommended to Full Council for approval; and
- c) the Treasury Management Policy Statement be noted

AU29 2023/24 Audited Statement of Accounts

The Finance Manager provided the Committee with an update on the audit of the Council's accounts for 2023/24 and advised that they were seeking approval of the Statement of Accounts and delegated authority to make any final changes required to the Statement of Accounts prior to publication.

Members heard that in accordance with the Accounts and Audit (England) Regulations 2015 and associated Amendment regulations, the Chief Financial Officer certified the draft statement of accounts in May 2024. These were presented to Audit Committee on the 29 May 2024, made available for public inspection and provided to the external auditors to undertake the audit of accounts. The Committee were asked to note that at the time of the meeting KPMG had substantially completed the audit and that Members would be

notified of any further material changes as appropriate. However these were expected to be finalised ahead of the statutory backstop date.

Members thanked the Finance Manager for the update and upon being put to a vote it was:

RESOLVED - that:

- a) The 2023/24 Statement of Accounts be approved
- b) Delegated authority be granted to the Chair to sign the Letter of Representation and;
- c) delegated authority be granted to the Director: Finance, People & IDT, following consultation with the Chair, to make any final changes required to the Statement of Accounts prior to publication

AU30 Final Year End Report to those Charged with Governance

KPMG, External Auditors presented the year-end report for the year ended 31 March 2024.

The External Auditors acknowledged the complexity of the audit and expressed confidence in KPMG's experience and capability. Members heard that this was the first audit conducted by KPMG following the transition from Grant Thornton, which had required adjustments from the council's finance team. The External Auditors noted that while the statutory deadline was the end of February, the aim remained to issue an unqualified opinion and confirmed that any significant issues would be reported back to the committee, though none were currently anticipated. The finalisation of asset re-categorisation was outstanding but expected shortly.

The audit had focused on areas of significant risk and complex accounting, consistent with the previously presented audit plan. This included work on pension liabilities, which involved actuarial estimates. Members heard that no changes had been identified that affect the general fund. Two control recommendations were being made, linked to audit adjustments, particularly around asset valuation. It was noted that the remaining tasks were administrative and expected to be completed promptly.

The External Auditors explained that there had been particular attention paid to expenditure and the risk identified around building variations. However, the audit work had now been completed in this area. Members heard that pension liability work had also been completed, with a minor audit adjustment identified and was deemed to be immaterial, with the overall assessment considered to be optimistic. The Committee were asked to note the expenditure testing after year-end had showed no issues. The External Auditors confirmed that group accounts included NuPlace, with the primary figure of interest being the property valuation. It was advised that this work was now complete with no issues. The External Auditors noted that NuPlace's accounts were also audited separately, with no concerns raised.

The External Auditors advised the Committee that the Annual Governance Statement had been reviewed and was found to be consistent with council activities. Members heard that at the time of the meeting the substantive audit work has been completed, and that further background and contextual information had been outlined in the report.

During the discussion Members asked about the potential material impact on council finances from incorrect assumptions around interest rates and pension obligations. The External Auditors assured the Committee that there would be no immediate impact on the general fund and that pension liabilities were complex and reflect future obligations calculated at present value. Members heard that while poor asset performance could lead to increased contributions, this would require strong evidence and would only affect long-term planning.

Members thanked the External Auditors and noted the update.

AU31 Internal Audit Activity Report & Update to Internal Audit Charter

The Principal Auditor provided the Committee with an update on the activity of internal audit, the changes to the internal process and the Audit Charter.

Members heard that the key focus for the audit team had been the completion of audits on the annual audit plan and fulfilling commercial contracts. The Principal Auditor advised that the report detailed the status of any reports previously issued and reported to Audit Committee. However, asked Members to note that once reports had reached a green status and have been reported to Members they were excluded from future Audit Committee reports. The Principal Auditor assured the Committee that they were confident that controls had and would continue to improve in all areas where recommendations have been made. It was noted that there were no other issues to bring to the attention of the Committee at this time.

The 2024/25 Internal Audit Plan was previously approved by the Committee at the May 2024 meeting and the progress made against this plan had been outlined in Appendix A of the report. The Principal Auditor noted that from a total of 46 audits (not including Adult Social Care, as not yet agreed), 10 audits were in progress, 7 have been completed and 9 have been deferred due to a staff vacancy within the audit team which had now been filled.

The Audit, Governance & Procurement Lead Manager provided Members with an update on the Audit Charter, advising Members that the Terms of Reference for the Audit Committee required the Committee to approve the Internal Audit Charter on an annual basis. Members heard that the Internal Audit Charter defined Internal Audit's purpose, authority and responsibilities, consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS). The Audit, Governance & Procurement Lead Manager advised Members that the standards were changing and that the Charter had been reviewed and changes made to reflect the requirements of the PSIAS.

Members were asked to note that S2.4.3 of appendix B outlined non-audit related areas of responsibility, and had been included for transparency.

RESOLVED - that:

- a) The information contained in the report in respect to the Internal Audit planned work undertaken between 1 November 2024 and 31 December 2024 and unplanned work to date be noted
- b) The revised Internal Audit Charter 2025/26 be approved

AU32 Updated Position of the AGS Action Plan 2023/24

The Audit, Governance & Procurement Lead presented an update report in relation to the 2023/24 Annual Governance Statement action plan. Members were asked to note that the original action plan had previously been shared as part of the Annual Governance Statement.

The Committee was informed that all actions outlined in the plan have either been completed or were progressing significantly. There were no concerns to report at this stage.

It was noted that a refreshed action plan will be developed as part of the 2024/25 governance update and will be presented to the Committee at the May meeting.

Members noted the update.

AU33 Corporate Risk Register

The Audit, Governance & Procurement Lead Manager provided the Committee with an update on the Corporate Risk Register, which outlined the key risks facing the authority that may impact its ability to achieve strategic objectives. It was noted that the register had been brought to the previous meeting, and since then, there had been minimal changes to the identified risks or the associated mitigating actions.

The Audit, Governance & Procurement Lead Manager highlighted that the register now provided improved clarity on the risks and how they align with the Council's priorities, in response to previous feedback from the Committee. During the discussion Members queried whether the presentation on Artificial Intelligence (AI) risks would be incorporated into the Corporate Risk Register. The Audit, Governance & Procurement Lead Manager acknowledged that AI-related risks were expected to become significantly more prominent in 2025/26. While these were not yet reflected in the current version of the register it was confirmed that future iterations will include this emerging area of risk.

Members noted the update.

The meeting ended at 7.31pm

Chairman: _____

Date: Wednesday 28 May 2025