

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 25 January 2022 at 6.00 pm in Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT**

**Present:** Councillors N A M England (Chair), V J Holt, J E Lavery and C F Smith (Vice-Chair)

**In Attendance:** R Attwell (Democracy Officer (Democracy)), J Clarke (Senior Democracy Officer (Democracy)), K Clarke (CFO and Director: Finance & Human Resources), T Drummond (Principle Auditor), P Harris (Finance Manager - Corporate & Capital Finance), A Lowe (Associate Director: Policy & Governance), R Montgomery (Audit & Governance Team Leader ) and E Rushton (Group Accountant)

**Apologies:** Councillors W L Tomlinson

#### **AU18 Declarations of Interest**

None.

#### **AU19 Minutes of the Previous Meeting**

**RESOLVED** – that the minutes of the meeting held on 21<sup>st</sup> July 2021 were approved and signed by the Chair

#### **AU20 Treasury Management - update from Link (Treasury Management Advisors)**

The Chair introduced Carl Gurnell from Link-group, who joined the Committee via a remote link. Link-group are the Council's newly appointed Treasury Management advisors who will be working with the Council giving advice around investment, loans, debt management and management of treasury resources.

#### **AU21 Draft Treasury Management Strategy 2022/2023 and update 2021/2022**

The Finance Manager, updated the committee on the Treasury Management activities which had taken place during 2021/22 to date and the Treasury Strategy which was recommended for adoption for 2022/23. The strategy in 2021/22 had been to limit investments in third parties which would limit the Council's exposure to counterparty risk and to continue to take advantage of lower interest rates for borrowing which had generated a surplus within treasury management returns of more than £26m since 2015/16 and had reduced the impact of government cuts. The Council's budget for 2022/23 included an allowance to lock in all anticipated financing requirements at fixed interest rates that were higher than the current PWLB rates, but in line with Link's forecast, in order to ensure a robust Treasury Management strategy. In respect of external financing requirements, the Council was

complying with all prudential indicators and the Council continued to ensure the strategy was set within the parameters of the CIPFA code of practice.

A revised Code had been published by CIPFA in December 2021 with immediate effect, although councils may defer introducing the requirements until 2023/24 as part of a soft launch, and guidance was currently awaited. The Group Accountant noted that the Treasury Management Activities for 2021/22 which were set out in the report, together with the Treasury Policy Statement. Cabinet and Full Council approval would be sought for the full Strategy 2022/2023 and in relation to borrowing and prudential indicators.

In relation to Treasury Management for the financial year 2021/2022, up to December 2021, the treasury portfolio position for 31 March 2021 up to December 2021 showed overall indebtedness of £226.2m. Base rates continued to increase from 0.01% up to 0.25% and it was anticipated they would continue to increase in 2022/23. No rescheduling of debt had taken place during 2021/22 and a mix of temporary and long term borrowing has previously been approved and would involve short term investments in the Money Market Fund, Lloyds Banking Group and the Debt Management Office. During 2021/22 there had been one lease drawdown.

Members had attended a training session prior to the Audit Committee and that Treasury Strategy guidance and the accounting standards and framework had been covered during this session and it referred to the new CIPFA Code and the Treasury Management Public Services Code with guidance notes being expected in January.

Borrowing strategy remained consistent and had took advantage of low interest rates on short term borrowing and locking in long term borrowing after consultation with external advisors and was a continuation of the strategy from 2021/22 and included emphasis on the security of principal.

Upon being put to the vote, it was:

**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) **By way of vote, that Cabinet and Full Council approve the Treasury Strategy, including the Annual Investment Strategy for 2022/23 together with the associated Treasury Prudential Indicators, sources of borrowing and the Minimum Revenue Provision Statement, which will apply from 2021/22 onwards.**

**AU22      Internal Audit Activity Report and Update to Internal Audit Charter 2022/2023**

The Principal Auditor presented the Internal Audit report which gave an update on the progress made against the 2021/22 Internal Audit and an update on the Internal Audit Charter. It provided information on audit reports issued during this period with 12 audit

reports being issues. One report moving from limited to good for were now reasonable and the remaining seven had good assurance.

Amendments had been made to the f audit plan due to resource challenges and as a result 7 audits (54 days) were deferred until 2022/23. Unplanned work included an audit of the Council's processes for the recording of registers of interests for officers which was given a reasonable grading. Work also continued on commercial contracts with Academies and Town Councils with an additional Multi-Academy Trust signing up to the internal audit/scrutiny function. Internal Audit maintained a Quality Assurance and Improvement Programme which complied with the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process.

In May 2021 requested that the Terms of Reference be reviewed to identify any additional responsibilities that could be included. Internal Audit undertook a benchmarking exercise with other Local Authority Audit Committees and for current good practice. It was identified that CIPFA had suggested that Audit Committees should have more oversight of climate change measures in order to effectively manage any associated risks

The Audit and Governance Lead Manager presented the Internal Audit Charter which defined the Internal Audit function, authority and responsibility in line with the Public Sector Internal Audit Standards (PSIAS) and would be reviewed annually. The Audit and Governance Team had access to all Council buildings and documents that they may need to see for audit purposes. The Audit & Governance Lead Manager had unfettered access to the Chief Executive, Chief Financial Officer, the Chair of Audit Committee and senior managers within the Council and he held a number of responsibilities towards risks and controls. It was asked that Members approve the Internal Audit Charter and the Terms of Reference.

Upon being put to the vote it was, unanimously:

**RESOLVED – that:**

- a) **The information contained within the report in respect of Internal Audit Planned Work undertaken between 1 September 2021 – 31 December 2021 and unplanned work to date be noted; and**
- b) **The revised Internal Audit Charter be approved.**

**AU23      Updated position of the AGS Action Plan 2020/2021**

The Audit and Governance Lead Manager provided the Committee with an update on the AGS Action plan for the 2020/2021 year. He briefly explained that there were a number of factors required to ensure a high standard of governance and this had improved in those areas it was required. The report showed the position of the action agreed and there was nothing that needed to be brought to the attention of the Committee as the report was for noting only

The report was noted.

**AU24      PSIAS - External Assessment Procurement**

The Audit & Governance Lead Manager presented the report on the External Assessment in respect of the Public Sector Internal Audit Standards (PSIAS). External Audit standards required that the Internal Audit function was externally assessed every five years. A previous assessment took place in January 2017 with a further assessment required to take place during 2022. The officers asked the Committee for approval in order that an assessment could take place. The standards required the Chief Internal Auditor to discuss the external assessment and qualification of external assessor with the Committee. Different methods could be used to secure an external assessment through a peer review, full procurement, hybrid models or being part external with these independent teams of assessors passing on their own report to audit on an annual basis.

The Audit and Governance Lead Manager had considered a number of options with regard to the requirements of the external assessment and these were set out in the report and he suggested that the third option, based around the idea of a hybrid model, being the best option to fulfil the external assessment and be more cost effective to fulfil the Council's objectives.

During the debate some Members felt confident that the hybrid model was preferable as they have both the Internal Assessment and the external independence which way better for the Authority as a safeguard.

Upon being put to the vote it was, unanimously:

**RESOLVED - that the procurement route for an external assessment of Internal Audit against the PSIAS with final details to be agreed by the Audit & Governance Lead Manager in consultation with the Chair of Audit Committee and CFO be agreed.**

**AU25      Effectiveness of the Audit Committee survey results**

The Audit and Governance Lead Manager presented the results of the survey on the effectiveness of the Audit Committee which had been undertaken as part of the good governance practice and in order to identify any training requirements of the Committee. The scheduling of the survey had been delayed due to the covid-19 pandemic. The report highlighted the areas for improvement although overall the survey results on the whole provided positive assurance of the effectiveness of the Audit Committee. Upon being put to the vote it was, unanimously:

**RESOLVED – that the results of the effectiveness survey be noted.**

The meeting ended at Time Not Specified

**Chairman:** .....

**Date:**            Date Not Specified