

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday 24 January 2023 at 6.00 pm in The Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT

Present: Councillors C F Smith (Vice-Chair), W L Tomlinson and B Wennington

In Attendance: K Clarke (CFO and Director: Finance & Human Resources), T Drummond (Principle Auditor), L Gordon (Mayor & Member Support Officer), P Harris (Finance Manager - Corporate & Capital Finance), E Harvey (Lead Lawyer: Property & Commercial), R Montgomery (Audit & Governance Lead Manager), E Rushton (Group Accountant), M Wallace (Mayor & Member Support Officer) and I Wykes (Climate Change & Sustainability Team Leader)

Apologies: Councillors N A M England, V J Holt and A Lawrence

AU58 Declarations of Interest

None.

AU59 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 23 November 2022 be confirmed and signed by the Chair.

AU60 2022/23 Treasury Management Update and 2023/24 Treasury Management Strategy

The Finance Manager advised Members that the Treasury Management Update and Strategy were legally required to be presented the Audit Committee under the Local Government Act 2003, CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). Following this meeting the report would also be presented to Cabinet and Full Council.

Members heard that the strategy for 2022/23 remained consistent with that outlined in the 2022/23 Treasury Strategy, which was agreed for approval at Full Council on 3 March 2022 and by the Audit Committee on 25 January 2022. The Strategy was a continuation of that used in recent years which has provided considerable benefits to the Council. The Finance Manager noted that the latest financial monitoring projections indicate a benefit of £3.9m from treasury management during 2022/23 which supported the provision of front line services, opportunities for borrowing when appropriate and the Council's overall financial position. Based on the recommendation of the Link Group, the Committee heard that the figures set out in the report had allowed for changes to interest rates, in order to create robustness.

The Finance Manager informed the Committee that the Council was expected to need to borrow an additional £125.8m in 2023/24, based on the current capital programme plans which adopted a flexible approach to borrowing. Members were asked to note that considerations were given to affordability, maturity profile of existing external financing, interest rates and refinancing risk as well as borrowing source, which was usually expected to be other Local Authorities or the Public Works Loan Board, but also included Municipal Investment Loans, the LGA Municipal Bonds Agency, European Investment Bank or commercial sources, and any new opportunities which arose.

The Committee heard that the strategy for any investments was to minimise investments in order to reduce counter-party risk, and to reduce net interest costs as longer-term borrowing rates tended to be greater than the council were able to earn on new investments. The strategy sought to lengthen investment periods, where cash flow permitted, to achieve higher interest rates within acceptable risk parameters.

During the discussion Members noted that a distinction between capital expenditures would be useful so that assets which will appreciate overtime and industrial assets which depreciate over time. The Director: Finance & Human Resources agreed that this distinction was to be included in future reports.

RESOLVED - that:

- a. **recommend to Full Council that the treasury management activities to 31st December 2022 as set out in Appendix A be noted;**
- b. **the Treasury Strategy 2023/24, including the Annual Investment Strategy, the Minimum Revenue Provision Statement, Treasury Management Prudential Indicators be approved; and**
- c. **the 2022/23 Treasury Management Update Report be approved.**

AU61 2021/22 Statement of Accounts

The Committee heard an update on the council's accounts. The Finance Manager noted that at the time of the meeting Grant Thornton were still finalising their audit work and delegated authority was therefore sought to make any final changes required prior to publication.

Members were informed that changes made to the accounts were outlined in section four of the report and included infrastructure assets, accounting treatment of investment property revaluations, pension liability and group accounts revaluations. All changes listed in the report had been discussed and agreed with Grant Thornton and had not impacted on the General Fund Balance position.

The Finance Manager updated Members on a change to the recommendations outlined in the report. In addition to delegated authority for final changes to be made to Statement of Accounts prior to publication, delegated authority for the chair to sign a letter.

RESOLVED - that:

- a. the 2021/22 Statement of outlined in Appendix A be approved;
- b. delegated authority be granted to the Director: Finance & Human Resources, following consultation with the Chair, to make any final changes required to the Statement of Accounts prior to publication.
- c. delegated authority be granted for the Chair to sign the letter.

AU62 Audit Findings Report (AFR) 2021/22

Grant Thornton, External Auditors, presented a verbal update on the Audit Findings Report 2021/22.

The External Auditors advised that the Audit Findings Report was not completed due to ongoing resourcing issues, however would be circulated once available after the meeting.

Members heard that the Council had moved to a new category due it's size. Due to this the External Auditors have had to re-examine materiality and re-programme the numbers based on the new cap. Regardless of this the benchmark set remained to be the correct one so there was no change to the overall strategy required. One area of consideration had been whether an investment property was held through capital appreciation or income. The External Auditors assured Members that this was simply a matter of classification and would not affect the overall valuations.

The External Auditors explained to the Committee that no governance issue the pension fund or pension liability had been found. Members heard that the report will detail a £19 million difference in the overall fund and that the council's adjustments were minimal.

The External Auditors updated Members of the Committee on the work that had been completed at the time of the meeting. There had been no risks to report from their assessment of the management override journals, nu place, fraud in income and expenditure or cash equivalents. A review had been undertaken of the valuation process of building and other land and the decision had been made to appoint their own expert to test the assumptions surrounding that. The indexing indicated that there would be roughly a four million difference, which was within margin.

Members thank the External Auditors for their comprehensive verbal report.

RESOLVED - that the verbal report be noted.

AU63 Telford and Wrekin Council Becoming Carbon Neutral and Plastic Free Update

The Team Leader: Climate Change & Sustainability informed Members that tackling climate change was one of five priorities set out in the current Council

Plan and that in July 2019 the council declared a climate change emergency, making a commitment to reduce its carbon emissions to net zero by 2030. To support this the Council had allocated £4,000,000 of capital funding into the programme of work.

Members heard the reporting on carbon neutrality and becoming plastic free had previously been reported on separately, however, since 2021/22 they have been reported jointly as one delivery plan. The Team Leader: Climate Change & Sustainability explained to Members that the cost of living and fuel poverty crisis was also having an impacted on the implementation of the delivery plan.

The Committee were informed that whilst the council had continue to monitor emissions, it had not been possible to monitor commuting emissions so it had been removed from the data to ensure consistency. In other areas the Council was on track in its efforts to reduce emissions. The Team Leader: Climate Change and Sustainability updated Members on the areas were the council had implemented renewable energy across the Borough, including sports centres and the Southwater way properties. Members heard that Cabinet had also recently assigned funding for solar panels to be introduced on council building, starting with Granville House.

During the discussion Members welcomed the report and the council's investment to combat Climate Change and assist residents.

RESOLVED - that the update on Telford and Wrekin council becoming carbon neutral and plastic free be noted.

AU64 Update on the PSAA – External Audit Appointment Process

Members heard that at the Audit Committee meeting dated 28 September 2021 it was agreed that the council would follow the Public Sector Audit Appointments procurement process (PSAA) and delegate authority to the Director: Finance and Human Resources to take any appropriate action needed to appoint an External Auditor.

The Audit & Governance Lead Manager explained that following a statutory consultation process, auditor appointments for opted-in bodies were completed on 31 December 2022 for audit years from 2023/24. The PSAA proposed that KPMG were appointed as Telford & Wrekin council external auditors.

During the discussion Members expressed their gratitude to Grant Thornton, the council's current external auditors for their hard work and for their continued work.

RESLOVED - that:

- a. **The Committee note the contents of the Update on the PSAA - External Audit Appointment Process report; and**

- b. **The Committee recommends the appointment of KPMG as the Councils External Auditors.**

AU65 Internal Audit Activity and Update to Internal Audit Charter 2023/2024

The Principal Auditor provided the Committee with an update on the progress made against the 2022/23 Internal Audit Plan and information on the recent work of Internal Audit.

Members heard that there had been six audit reports produced in this time period, each time there had been improvements in the grading when follow ups had been completed. There were an additional 14 audits currently underway, which had not changed since the last report to the Committee.

During the discussion Members requested that areas of higher financial risk be identified in a more clear way for the lay person. The Audit & Governance Lead Manager noted that level of risk was indicated in the report and if there were any areas of greater concern financially, they would be disclosed to the Committee.

The Principal Auditor advised Members that the Terms of Reference required the Audit Committee to approve the Internal Audit Charter on an annual basis. Members noted that no changes had been made to the Charter since it was last approved.

RESOLVED - that:

- a. **The information contained in the report be noted by the Committee; and**
b. **The Internal Audit Charter 2023/24 be approved by the Committee**

AU66 Update on the AGS Action Plan for 21/22

The Audit & Governance Lead Manager provided Members with an update on the of actions identified on the Annual Governance Status Action Plan. The Committee were assured that each of the actions listed in the plan had been implemented in full or were being implemented on an ongoing basis.

RESOLVED - that the Committee noted the update on the AGS Action plan for 2021/22

AU67 Strategic Risk Register Update

The Audit & Governance Lead Manager updated the Committee on the status of the strategic risks outlined in the risk register. Members were informed that the risks remained stable, and there had been no additions or new admissions since the Committee was last provided with an update.

Members heard that some descriptions of risks have been updated. The Audit & Governance Lead Manager highlighted the eighth risk listed in the report: 'the inability to respond to impact of climate emergency on severe weather events including heat, cold and flood', which had been expanded to include areas beyond flooding as was previously listed.

The Audit & Governance Lead Manager informed Members that there had also been additional updates to the mitigation and management of the figures and controls of the risks on the register.

RESOLVED - that the Committee noted the Strategic Risk Register Update.

AU68 Exclusion of the Press and Public

RESOLVED - that the press and public be excluded from the meeting for the remaining item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

AU69 Cases Update

The Audit & Governance Lead Manager advised Members that there was no update due to be presented at this meeting but this item would remain a standing item for future updated when needed.

The meeting ended at 7.05pm

Chairman:

Date: Wednesday 31 May 2023