

# **STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL**

## **AUDIT & ACCOUNTS COMMITTEE MEETING**

### **Minutes**

**FRIDAY, 8 FEBRUARY 2019**

PRESENT: Councillor J Davies (Chair)

Councillors E Fallows, K Flunder, T Hall, K J Jackson and B Johnson

IN ATTENDANCE: E Bennetts Finance Business Partner  
CHazeldene Finance & Procurement Manager  
V Higgins Information Business Partner  
J Leak Audit Manager  
Sohal  
A Stokes Executive Director (Transformation) & Chief Finance Officer  
P Trafford Member & Community Services Officer

APOLOGIES: Councillors D Grocott and C Pearce

30 **DECLARATIONS OF INTEREST**

There were no declarations made.

31 **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the Minutes of the meeting of the Audit & Accounts Committee held on 26 October 2018 be **APPROVED** as a correct record and signed by the Chair.

32 **EXTERNAL AUDIT CERTIFICATION OF CLAIMS & RETURNS ANNUAL REPORT**

Avtar Sohal – Senior Audit Manager for Grant Thornton LLP – confirmed that the report, which related to the Council's Housing Benefit subsidy, reflected no errors or amendments having been required. This was the 'cleanest possible' level of certification.

Avtar went on to confirm that a random system was used to select sample cases to check (initially 60 cases, then a further 40 for each error found). External information was also checked as far as was reasonable.

Councillor Hall thanked all staff involved for their contribution to the 'clean' report.

33 **EXTERNAL AUDIT 2018/19 AUDIT PLAN**

The plan document gave an overview of the planned scope and timing of the statutory audit of SMDC for those charged with governance.

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The Council was to prepare group financial statements to consolidate the financial information of Ascent Housing LLP on an equity method, but had assessed that the AES Joint Operation would not be included in the group accounts but would be included in the primary financial statements on the basis of the resources used in the provision of the service to the Council.

Significant risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error had been identified in line with previously as:-

- Valuation of property, plant & equipment;
- Valuation of Pension fund net liability; and
- Management override of controls.

The 'Planning materiality figure had been reset to £650,000 (previously £662,000) which equated to 1.9% of gross annual expenditure.

The risk assessment regarding the Council's arrangements to secure value for money had identified the following significant risk – Medium Term Financial Sustainability.

In 2017/18 Grant Thornton had made a recommendation for the Council as audit testing had identified that there was not a formal written journal policy in relation to who posts and authorises journals. As of December 2018 a clear written procedural note was implemented for relevant staff members detailing the process of journal authorisation. This was deemed a satisfactory response.

### **34 EXTERNAL AUDIT - INFORMING THE RISK ASSESSMENT**

The principal reason for this report was to establish whether anything different was to be done from previous years, with effective two-way communication between the Council's Auditors and the Committee being the key.

Members discussed previous fraudulent activity, establishing that on a comparative basis, SMDC was at the lower end of the scale for the number and severity of frauds. It was considered that the systems, controls and policies in place were sufficient to form a preventative barrier to such activity.

### **35 ANNUAL GOVERNANCE STATEMENT - PROGRESS AGAINST 2017/18 ACTION PLAN**

The annual report was presented to members by Andrew Stokes under Regulation 6 (1) (a) of the Accounts and Audit Regulations 2015, which required the Council to conduct a review each financial year of the effectiveness of its system of internal control and approve an Annual Governance Statement (AGS).

The AGS Action Plan was appended to the report and outlined progress against the required actions as at 31 December 2018. Completed actions were summarised as:-

- The Council's revised recruitment policy had been implemented and was available via the Intranet;
- The district profile had been updated and included in the Ward Data area of the Intranet;

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- The revised Corporate Plan had been communicated to all staff through the Core Brief and 'Keeping You Informed' and was available on the Intranet;
- Equality Impact Assessments had been integrated into the report writing module of Modern Gov.

Actions still being progressed were summarised as:-

- Training for Managers in completion of the consultation section of committee reports was planned as part of the introduction of the report writing module of the Modern Gov system;
- A system for embedding partnership risks and effectiveness in the performance management system had been designed and would be in place for 2019/20;
- A revised Procurement Strategy was due for presentation during 2019 which would include reference and if deemed applicable defined processes in relation to Social Value;
- The Scheme of Delegations would be updated following amendments to the management structure;
- The Risk Management Strategy would be reviewed and formally approved and adopted by 28 February 2019;
- Further work was ongoing to develop the approach to identifying and managing corporate fraud risk to ensure compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014);
- The next and final tranche of the transfer of services to AES (street cleansing and grounds maintenance) would take place in April 2019 – the governance arrangements would be subject to audit during 2019/20.

**RESOLVED** – That the report be **NOTED**.

### 36 **TREASURY MANAGEMENT UPDATE**

Emily Bennetts – Finance Business Partner – introduced the report to allow the robust scrutiny of the Council's treasury management performance to date in 2018/19 in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and generally accepted good practice.

The main headlines contained in the update included:-

- The Bank of England Base Rate remained unchanged at 0.75%;
- A shortfall of £10,000 was forecast against the investment income budget due to increased internal borrowing which reduced funds available to invest;
- The Ascent debenture income budget was on target and a small shortfall of £6,500 was forecast against the loan income budget pending the outcome of the Ascent Business Plan review;
- The borrowing costs budget to support the existing Ascent loan balance and a potential general fund borrowing requirement was forecast to be £67,00 under budget owing to the use of internal borrowing and some re-profiling of the capital programme;
- The average return on investments was 0.63% during the period 1 October to 31 December 2018. This compared favourably to short-term industry benchmarks;

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- The Council's investment portfolio totalled £6.8 million spread across 4 separate institutions as at 31 December 2018;
- The Council's current level of debt was £7 million at an average annual borrowing rate of 1.88%.

It was noted that the likely 'winding-up' of Ascent Housing LLP was likely to have a significant impact on the Council's finances.

**RESOLVED** – That the Council's Treasury Management position as at 31 December 2018 be **NOTED**.

### 37 2019/20 TREASURY MANAGEMENT STRATEGY

The Annual Treasury Management Strategy Statement for 2019/20 had been prepared in accordance with the Local Government Act 2003. The statement comprised 3 principal areas:-

#### **a. Capital Programme**

- The capital plans and the prudential indicators;
- The minimum revenue provision (MRP) policy.

#### **b. Treasury Management**

- Current Treasury position;
- Treasury Indicators;
- Prospects for Interest Rates;
- The Borrowing Strategy.

#### **c. The Annual Investment Strategy**

- Investment Policy;
- Creditworthiness Policy;
- Investment Income.

Each of the above areas was explored in detail contained in Appendix A to the report.

**RESOLVED** – That the Annual Treasury Management Strategy Statement (TMSS) 2019/20 be **RECOMMENDED TO COUNCIL FOR APPROVAL**.

### 38 RISK MANAGEMENT UPDATE

The overview of the Council's Strategic, Operational & Project Risk registers as at 31 December 2018 was presented to members by Vanessa Higgins – Information Business Partner.

The Committee reviewed the registers on an exception basis. 15 strategic risks had been identified and assessed, of which 40% (6) were rated as 'high' and therefore above the Council's risk tolerance threshold. Of the 31 Operational risks, 4 were rated 'high', and of the 8 project risks, 1 was 'high'.

The 6 'high' Strategic Risks and the 4 emerging 'opportunity' risks were shown on matrices as follows:-

Matrix 1: Risk Threats

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		Impact				
		1	2	3	4	5
Likelihood	5					
	4					
	3				- IT Security - MTFP - Ext Funding for Growth	- Contract Mngt - Investment into assets
	2					Safeguarding duty
	1					

Matrix 2: Risk Opportunities

		Impact				
		5	4	3	2	1
Likelihood	5					
	4			Effective contractor relations		
	3	Housing & Business Growth	Council Trading			
	2					
	1					

**RESOLVED** – That the Panel **NOTES** the Council’s current risk position and the mitigation plans summarised within Appendix A (strategic risks), Appendix B (operational risks) and Appendix C (project risks).

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The Alliance Risk Management Strategy was reviewed bi-annually in order to reflect changing circumstances. This review had been informed by a number of considerations, including:-

- A voluntary external review of our risk management arrangements by strategic risk engineers from our Insurance partners, Zurich;
- Findings of internal audit and other reviews;
- Financial challenges facing the Council over the course of its Medium Term Financial Plan and how this might affect our tolerance to financial risk;
- Consultation with senior managers via the corporate Risk Management Group;
- Horizon-scanning for emerging risks within the public sector and more widely, as identified by the risk and insurance sectors.

There were a few recommendations which emerged from the external review carried out by Zurich. The review was extremely positive and concluded that the *'strategic risk register supports the Strategy and Guidance very well and gives assurance that the Alliance take risk management seriously and the process is well managed. Documentation demonstrates that the organisation is very mature in its risk management and all officers connected to the process should be applauded for the obvious work that takes place.'*

Given the emergence of 'opportunity' risks, members indicated that their ward knowledge could be useful in assessing such matters.

The Alliance Joint Risk Management Strategy was appended to the report.

**RESOLVED** – That the revised Risk Management Strategy be **APPROVED**.

### 40 2018/19 INTERNAL AUDIT PERIODIC REPORT

John Leak – Internal Audit Manager – introduced the report to members, covering the period October 2018 to January 2019.

7 Audit reports had been issued during the period, 6 of which were given 'satisfactory' assurances, with 1 achieving 'substantial' status. Further breakdown of all Audits in progress and completed during the current financial year including the status of audit recommendations was appended to the report. All such recommendations had been agreed and, to date, 100% of 2018/19 recommendations that were due had been implemented.

Also appended to the report was a summary of recommendations made in the previous (2017/18) financial year. 96% of those which were due had been implemented.

12 further audits were shown to be in progress, indicating that the Annual Audit plan was 76% complete. This figure was anticipated to be above 90% by the end of the financial year.

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**RESOLVED** – That the progress information contained in the report be **NOTED**.

41 **WORK PROGRAMME**

The Committee considered the Work Programme for the remainder of the 2018/19 Municipal Year and into 2019/20.

**RESOLVED** – That the Work Programme for 2018/19 and into 2019/20 be **APPROVED**.

The Chair congratulated all officers involved with the work of the Committee on the quality of work done.

The meeting closed at 11.40 am

\_\_\_\_\_ Chairman \_\_\_\_\_ Date