



Key Audit Partner Michael Green (MG) confirmed that the statutory audit of the group and Council's financial statements for the year ended 31 March 2021 was substantially complete. There were no significant difficulties or matters arising during the audit and the official sign-off was due to take place within 2 weeks of this meeting. An unqualified audit opinion would be issued, with almost no adjustments having been necessary. A situation that the Council could be proud of.

The 1 item of note was the Council's very low Minimum Revenue Provision (MRP) in relation to the Ascent Loan. The auditor's view was that the treatment was contrary to statutory guidance, but as the loan was set to be wound up by the end of the calendar year there was no proposal to make any adjustment to the financial statement. The recommendation was that the Council consider whether any similar type of loan should be subject to an MRP charge. Interim Chief Finance Officer John Betts (JB) confirmed that the Council's position was that they had acted prudently with the current loan, given the security of the housing assets involved. A new loan to Your Housing Group was being considered and the Council would review its MRP approach.

48 **ANNUAL GOVERNANCE STATEMENT**

The Accounts and Audit Regulations 2015 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 statement had to be approved alongside the Council approving the statement of accounts. Guidance on the process was contained in the CIPFA / SOLACE framework and guidance on 'Delivering Good Governance in Local Government'. 2 new specific areas of commentary in this AGS were a) The impacts of the coronavirus pandemic on the Council's governance arrangements and b) An assessment that had been undertaken during the year of the extent to which the Council's financial management arrangements complied with the principles of the CIPFA Financial Management Code 2019 (FM Code).

A typographical error was identified in Para 7.1.4 which stated "HPBC" and should have read "SMDC".

**RESOLVED** – That the Annual Governance Statement 2020/21 be **APPROVED**.

49 **STATEMENT OF ACCOUNTS**

The Executive Director and Chief Finance Officer was responsible for the preparation of the Council's financial statements which were prepared in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the UK and based on International Financial Reporting Standards.

The deadline for signing the Statement of Accounts under The Accounts and Audit (England) Regulations 2011 was 31 May each year. This had been pushed back to 31 July 2021 due to the Covid 19 pandemic and the unaudited Statement of Accounts was published by the later date. The new deadline for publication of the final audited accounts was 30 September 2021. The Council's External Auditors had indicated that they would not meet that deadline, leading to the re-arrangement of the date of this meeting. A note of this delay was published on the Council's website.

## Audit & Accounts Committee - 22 October 2021

Appended to the report were:- A) Draft Statement of Accounts, B) Guide to the Statement of Accounts, C) Chief Finance Officer Review of Accounts, and D) Glossary of Financial Terms. It was noted that some publishing alignment issues had occurred in Appendix B but these were not material to the Statement of Accounts.

Members noted difficulties in negotiating the sheer size of the agenda. Officers agreed to look at ways in which this could be presented more succinctly, but highlighted that the contents of the Statement of Accounts was largely statutorily driven.

**RESOLVED** – That the Statement of Accounts 2020/21 be **APPROVED**.

### 50 REDMOND REVIEW UPDATE

Concern had been growing within local government regarding the effective provision of external audit services. The report updated Members on various national reviews affecting local public audit and their implications for the Local Authority as well as updates on options and the timetable for appointing future external auditors set by the Public Sector Audit Authority (PSAA).

The Local Authority had until 11 March 2022 to accept or decline an invitation to opt-in or out of nationally brokered local audit contracts. A more formal report would be presented to the committee once the PSAA prospectus was received and analysed. A recommendation would then be made to Full Council later that month.

**RESOLVED:-**

- To **NOTE** the progress that the Ministry for Housing, Communities and Local Government (MHCLG) had made in responding to Sir Tony Redmond's review into the effectiveness of external audit and transparency of financial reporting in local authorities;
- To **APPROVE** the proposal for further reports to this committee recommending any changes locally to current audit and governance processes, once MHCLG had finalised its proposed actions nationally;
- To **NOTE** the need for a recommendation by this committee to Council by Friday 11 March 2022 to formally respond and accept (or decline) the opt-in invitation from PSAA to join the procurement of bulk external audit services (to be the subject of a separate report).

### 51 TREASURY MANAGEMENT UPDATE

The mid-term report represented the Council's Treasury Management position at 30 September 2021. The main headlines were:-

- There was no expectation for any increase to the Bank of England base rate within the current financial year;
- A small surplus of £4,000 was forecast against investment income interest. Interest on the Ascent loan and Debenture was forecast on target, but was subject to change pending the Ascent Delivery model review and any new loan arrangement;
- The borrowing costs budget to support the existing Ascent loan balance and general fund borrowing requirement was forecast to achieve a saving of

## **Audit & Accounts Committee - 22 October 2021**

£30,000, but could also be affected by the outcome on the same decisions on the Ascent loan;

- The average return on investments during the period July to September was 0.14%, which was boosted by the notice account investments, whereas instant access accounts earned interest at 0.01%;
- The Council's investment portfolio totalled £21.7million spread across 7 separate institutions as at 30 September 2021;
- The Council's external debt was forecast to be £13million by the end of the year at an average annual borrowing rate of 0.75%.

Contained within the report under "Ethical investing" were details of £2.5million in financial investments with Environmental, Social and Governance links encompassing the Climate Change agenda.

**RESOLVED** – That the Treasury Management position as at 30 September 2021 be **NOTED**.

### 52 **INTERNAL AUDIT PROGRESS REPORT**

The report summarised the findings of the remaining audits undertaken for the 2020/21 financial year. The ongoing diversion of audit resources to administer the various Covid 19-related business grants meant that the audit plan took longer to complete than usual.

All audit recommendations had been agreed and 93% of those that were due had been implemented. The 3 remaining audits were summarised, all having 'satisfactory' assurances.

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

### 53 **INTERNAL AUDIT ANNUAL REPORT**

The report summarised year-end performance for 2020/21, including a breakdown of audits undertaken and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management, external review results, developments in the service and an assessment of the Council's internal control environment.

86% of the Audit Plan had been completed, with 4 audits having been rolled forward into the 2021/22 audit plan where appropriate.

Based on the work undertaken by Internal Audit during the year and the resultant assurance options outlined above, and the implementation by management of the recommendations agreed and also comments made by our external auditors, Internal Audit was able to provide reasonable assurance that the Council's governance arrangements including risk management and systems of internal control were operating adequately and effectively. Where deficiencies in internal control had been identified, assurances had been given that these had been or would be resolved in an appropriate manner and such cases would continue to be monitored.

**RESOLVED** –

## Audit & Accounts Committee - 22 October 2021

- That the Audit Service's 2020/21 year end performance information be **NOTED**;
- That the opinion on the overall adequacy and effectiveness of the Council's internal control environment be **NOTED**.

### 54 ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The review had been conducted as a requirement of The Accounts and Audit Regulations 2015 in the form of a self-assessment which was appended to the report. An external assessment of Internal Audit (EQA) was also undertaken every 5 years with the previous one completed during 2016/17. The next EQA was therefore due in 2022.

The previously-stated Audit Plan achievement was lower than in prior years due to the diversion of audit resources to the administration of the various Covid 19-related Business Grants.

Members thanked the Audit team for the excellent work done throughout the year.

**RESOLVED** – To **NOTE** the annual review of the effectiveness of Internal Audit for 2020/21 including the Quality Assurance and Improvement Programme and that Internal Audit was operating effectively and could be relied upon when considering the Annual Governance Statement for 2020/21.

### 55 WORK PROGRAMME

The Committee considered the Work Programme for 2021/22.  
A request was made for a report on the winding-up of Ascent LLP.

**RESOLVED** – That the Work Programme for 2021/22 be **APPROVED** with the addition of the item stated above.

The meeting closed at 12.05 pm

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