

# **STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL**

## **AUDIT & ACCOUNTS COMMITTEE MEETING**

### **Minutes**

**FRIDAY, 23 JUNE 2023**

PRESENT: Councillor M Spooner (Chair)

Councillors J Cox, C Edwards, K Flunder, A Hart, A Parkes and N Yates

IN ATTENDANCE: M Green External Auditor  
E Bennetts Principal Finance Officer  
J Leak Head of Audit  
K Pointon Head of Finance  
T Cooper Head of OD and Transformation  
S Hampton Democratic Services Officer

APOLOGIES: Councillors D Proudlove, M Worthington and Mr H Mawdsley

#### **1 DECLARATIONS OF INTEREST**

There were no declaration made.

#### **2 MINUTES OF THE PREVIOUS MEETING**

##### **RESOLVED:**

That the minutes of the meeting of the Audit & Accounts Committee held on 17 February 2023 be approved as a correct record and signed by the Chair.

#### **3 AUDITOR'S ANNUAL REPORT**

The Committee considered the Auditor's Annual Report for 2021-2022. This included an overview of any risks of significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in its use of Resources. For each core area no significant weaknesses in arrangements had been identified, but improvement recommendations had been identified.

Members discussed the separate audit process for the spend of Levelling Up funds, the impact inflation may have on the cost of projects, Your Housing Group loan and interest rates.

In response to a query around proactive fraud prevention work, members were advised that the Department of Works and Pensions had responsibility for this and as part of the National Fraud Initiative, the Council matched electronic data to prevent and detect fraud.

Discussion also took place around appropriate controls being in place for the procurement of external services, increased engagement with stakeholders,

## **Audit & Accounts Committee - 23 June 2023**

Alliance key performance indicators and the working relationship with Parkwood Leisure.

The Chair thanked the Officer for the informative report.

RESOLVED: That the Auditor's Annual Report be noted.

### **4 TREASURY MANAGEMENT UPDATE**

The report allowed robust scrutiny of the Council's Treasury Management performance in 2023/24 in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and generally accepted good practice.

The report was delivered in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management, which recommends that members be updated on treasury management activities regularly (annual, mid-year and quarterly reports).

This report comprised of the following:

- The latest interest rate forecast
- The investment portfolio and investment income
- The capital loan (service investment – housing)
- Borrowing requirements with associated borrowing costs
- Compliance against Prudential and Treasury indicators set in the Treasury Management Strategy 2023/24

The Officer provided an overview of the main headlines which were:

- The Bank of England base rate increased from 4.25% to 4.50% in May.
- The Council's investment portfolio totalled £14.9million spread across six separate institutions as at 31st May 2023. Average balances were £15.4million. Investment income of £796,440 was forecast to be on target.
- The capital loan (service investment – housing) was earning £307,000 interest during the year.
- The Council's level of external debt at 31st May was £7.6million. The borrowing costs budget of £549,510 was forecast to be on target pending external borrowing decisions.

In response to a query, the Committee was advised that the current investment portfolio was as expected and similar to previous years.

Discussion took place around high risk areas, the Council's risk adverse attitude to investment, green/sustainable investments, purchase of carbon credits and net biodiversity gain.

RESOLVED:

Members noted the current Treasury Management position as at 31<sup>st</sup> May 2023.

**5 TREASURY MANAGEMENT ANNUAL REPORT**

The purpose of the report was to allow the robust scrutiny of the Council's Treasury Management performance in 2022/23 in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and generally accepted good practice.

The Council was required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities for the year.

The Annual Treasury Management Report for 2022/23 considered the following areas:

- The Council's treasury position at the end of the year
- Interest rate movements during the year
- Borrowing activity
- Investment performance & portfolio

A supplementary report would cover capital activity and the impact on the overall borrowing need, and related prudential indicators. This would be presented to a subsequent Audit & Regulatory Committee when the information was available through the Closure of Accounts for 2022/23.

The Executive Director & Chief Finance Officer confirmed that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.

The main headlines included:

- Total external debt at 31st March 2023 amounted to £7.6million. There was an underspend of £48,946 against borrowing costs.
- £307,000 interest income was earned from the capital loan (service investment - housing) to Your Housing Limited. There was a small shortfall of £1,000 against the budget.
- The average daily investment portfolio during 2022/23 was £23.3million invested with a total of nine institutions, yielding £454,457 in investment income. There was a £375,067 surplus against the investment income budget due to the frequent increases in the Bank of England base rate.
- The average return achieved by the Council on its investment portfolio for the year was 1.95%. Year-end investments totalled £16.4million, all internally managed by the Council's Treasury Management Team.

RESOLVED:

That the Annual Treasury Management Report 2022/23 was recommended to Council for approval.

**6 RISK MANAGEMENT UPDATE**

The Council's Strategic, Operational and Project Risk Registers were reviewed by the Committee on an exception basis. This report was based upon the Council's position as at March 2023.

## **Audit & Accounts Committee - 23 June 2023**

The latest analysis of the Strategic Risk Register revealed that the Council had identified and assessed 18 strategic risks, of which 44% were rated as 'high' and therefore above the Council's risk tolerance threshold. There had been 2 new threat risks included in the strategic risk profile since last reported (PSTN switch off and delivery of the 3 Leek LUF investment schemes) and 1 new opportunity risk (delivery of the 3 Leek LUF investment schemes). The eight 'high' rated risks were listed in full at Appendix A to the report.

The Operational Risk Registers revealed that the Council had identified and assessed 36 operational risks in total, of which 11 were rated as 'high' and therefore above the Council's risk tolerance thresholds. The details of all the significant changes were detailed in the report and the risks falling within the 'high' category were listed in full at Appendix B.

The project risk registers now covered 6 projects, with completions adjusting this figure accordingly. The project risk profile is below:

- 0% Critical
- 8% High – 2 risks
- 71% Medium – 17 risks
- 21% Low – 5 risks

In response to query in relation to the Council's peers and increased engagement with councillors, the Committee was advised that the Local Government Association had carried out the Peer Review, the Council's insurers attended risk management meetings and there were plans to provide bespoke training to members over the next 12 months which would include a skills assessment of Audit Committee members.

In terms of project risk associated with the Levelling Up fund, members were assured that support and training was available to members of staff.

RESOLVED:

The Committee noted the Council's current risk position and the mitigation / fruition plans summarised within Appendix A (strategic risks), Appendix B (operational risks), Appendix C (project risks) and Appendix D (opportunity risks).

## **7 INTERNAL AUDIT PERIODIC REPORT**

The Accounts and Audit Regulations 2015 required the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance". In accordance with the Public Sector Internal Audit Standards, the Audit Manager must report periodically to the Audit Committee on the internal audit activity's performance relative to its plan.

The report summarised performance information for the Council's Internal Audit service for the 2022/23 financial year. This included a breakdown of audits in progress and completed to date, the number and classification of recommendations made, agreed and where applicable, implemented by management.

## **Audit & Accounts Committee - 23 June 2023**

The Audit Plan for 2022/23 was based on reduced resources due to the secondment and subsequent departure of an Auditor. As a consequence of this reduction in resources, work to complete the 2022/23 Audit Plan had continued during the first quarter of 2023.

All audit recommendations had been agreed, and to date 75% of 2022/23 audit recommendations that were due had been implemented. Where deficiencies in internal control had been identified and not corrected, Internal Audit were satisfied that they would be resolved in an appropriate manner and they would continue to monitor such cases. It is the responsibility of relevant Managers to implement agreed recommendations.

The Committee discussed the possibility of an audit of disabled facilities grants, potential issues around the management of the contract with Norse and the governance arrangements which were now in place.

RESOLVED:

- 1) The Committee noted the progress information contained within the report.

### **8 INTERNAL AUDIT CHARTER**

The Accounts and Audit Regulations 2015 required the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The Audit Charter provided a framework for the operation of the Internal Audit service and was required by the Public Sector Internal Audit Standards (PSIAS) which required the Charter to be approved by the ‘Board’, which for the Council’s purpose was the Audit & Accounts Committee.

The Internal Audit Charter had been reviewed to ensure continued compliance with the requirements of the PSIAS effective from March 2017 and was attached at appendix 1 of the report.

RESOLVED:

That the Committee approved the Council’s Internal Audit Charter.

### **9 INTERNAL AUDIT ANNUAL AUDIT PLAN**

The Accounts and Audit Regulations 2015 required the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. In accordance with Public Sector Internal Audit Standards, the Audit Manager should establish a risk based audit plan to determine the priorities of the internal audit activity, consistent with the Council’s goals. The audit plan must be based on a documented risk assessment undertaken at least annually.

Members discussed the recruitment of an apprentice and graduates, succession planning, agile working policy, staff turnover, exit interviews and investment in staff.

**Audit & Accounts Committee - 23 June 2023**

RESOLVED:

That the Committee approved the Council's annual Internal Audit Plan for 2023/24.

10 **WORK PROGRAMME**

It was suggested that the Audit Committee Guidance document was included on the agenda at a future meeting.

RESOLVED:

That the Work Programme be approved.

The meeting closed at 12.00 pm

\_\_\_\_\_Chairman \_\_\_\_\_Date