

# STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

## **AUDIT & ACCOUNTS COMMITTEE MEETING**

### **Minutes**

**FRIDAY, 27 JULY 2018**

PRESENT: Councillor T Hall (Vice-Chair)

Councillors D Grocott, B Johnson and R Ward

APOLOGIES: Councillors J Davies, E Fallows, K Flunder, K J Jackson and C Pearce

#### 10 **DECLARATIONS OF INTEREST**

There were no declarations made.

#### 11 **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the Minutes of the meeting of the Audit and Accounts Committee held on 25 May 2018 be **APPROVED** as a correct record and signed by the Chair.

The remainder of the meeting was conducted in an order at variance with the published agenda so that the Financial Regulations were satisfied.

#### 12 **ANNUAL GOVERNANCE STATEMENT**

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

Andrew Stokes introduced the statement with 2 appendices:-

1. AGS Framework;
2. AGS 2017/18.

The 1 significant governance issue contained in the statement was summarised as follows:-

<b>Governance Issue</b>	<b>Action taken during 2017/18</b>	<b>Continuing Action</b>
There is an imminent change in the operation model for the Council's waste collection, street cleansing and grounds maintenance services.	<ul style="list-style-type: none"><li>• The new 'teckal' company established to deliver the services has been developed and the initial phase implemented. In April 2018 Cabinet</li></ul>	<ul style="list-style-type: none"><li>• The new company arrangements will continue to be developed and implemented with the Waste Collection and Fleet Management</li></ul>

## Audit & Accounts Committee - 27 July 2018

Governance Issue	Action taken during 2017/18	Continuing Action
	approved the phase 2 transfer of services commencing in July 2018.	tranche taking place in July 2018.

**RESOLVED** – That the Annual Governance Statement 2017/18 be **APPROVED**.

### 13 EXTERNAL AUDIT - AUDIT FINDINGS REPORT

Grant Patterson was able to present the Audit Findings Report for the year ending 31 March 2018 and anticipated issuing an unqualified audit opinion for the Council's Financial Statements and Value For Money conclusion. Grant passed on his thanks to all members of the SMDC Finance team for their co-operation in reaching this point.

Low level recommendations had been issued requesting that a written procedure be put in place for journal entries in order to rebut any future possibility of mis-statement. It was also noted that, when the transfer of the payroll responsibilities from SMDC to Stoke on Trent City Council occurred, it would have been preferential to have a reconciliation done at that point.

The annual Management Representation Letter was to be signed following the members' approval of the Statement of Accounts (see next item).

**RESOLVED** – That the Audit Findings Report for the year ending 31 March 2018 be **NOTED**.

### 14 STATEMENT OF ACCOUNTS

Claire Hazeldene presented the annual Statement of Accounts to members. The statement had been available for scrutiny for some weeks prior to the meeting and no queries had been raised during that time. A training session had taken place on 4 July 2018 which included a session relating to the Statement of Accounts. This was delivered by Link Asset Solutions (the authority's treasury management and financial technical support advisor).

Appended to the statement was the Chief Financial Officer review, which challenged some of the more material financial movements compared to previous years and requested further clarification on certain areas.

**RESOLVED** – That the Statement of Accounts 2017/18 be **APPROVED**.

At this point, the Statement of Accounts and Letter of Representation were signed by the Vice-Chair of the Committee – Councillor Tony Hall. Councillor Hall thanked all members of the Finance team for their efforts in satisfying the new – earlier – deadline for the completion process (31 July 2018).

15 **ANNUAL TREASURY MANAGEMENT REPORT**

Produced 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 allowed robust scrutiny of the Council's Treasury Management performance in 2017/18. The report rounded up all the quarterly reports which had been presented through the year.

The report considered the following areas:-

- The Treasury Management Strategy adopted in 2017/18 and the economic environment during the year;
- The current treasury position, highlighting the Council's borrowing and lending position at the year end;
- The Council's capital expenditure, overall borrowing need and borrowing outturn during 2017/18;
- Performance measurements, which looked at the return achieved during the year by the Council on its overall investments;
- The Council's investment portfolio, which set out how and where the Council had invested its money during the year;
- The interest yield for 2017/18; and
- Compliance with prudential indicators, showing the outturn against those Indicators formally adopted in the 2017/18 Treasury Management Strategy Statement.

At the outset, the Bank Base Rate was not expected to change, but in fact went up to 0.5% in November 2017, with a significant knock-on effect on the report. The main headlines included:-

- Capital expenditure in 2017/18 totalled £1.5 million. Capital expenditure was funded in a large part via capital grants and receipts, the remainder had created a borrowing requirement of £636,000;
- Total debt at 31st March 2018 amounted to £12.9 million, including loans from other Local Authorities and finance lease arrangements. There was an underspend of £52,000 against borrowing costs as the budget included an expectation that borrowing would be required to fund general fund capital activities – instead the requirement of £636,000 along with £2m of the Ascent Loan was funded through internal borrowing;
- The average daily investment during 2017/18 was £9.8 million invested with a total of 7 institutions, yielding £37,331 in investment income. There was a small shortfall against the investment income budget of £1,700 as rates fluctuated during the year surrounding the changes in the Bank of England base rate;
- £559,252 interest income was earned from the debenture and loan balances held with Ascent. The debenture interest was on target against the budget. There was a shortfall of £15,000 against the loan budget following the refinancing of Tranche 1 of the loan in October 2017 at a lower rate than the original average rate charged;
- The average return achieved by the Council on its investment portfolio for the year was 0.38% which compared favourably to short-term industry benchmarks;

## **Audit & Accounts Committee - 27 July 2018**

- Year-end investments totalled £24.6 million (including £19 million held with Ascent), all internally managed by the Council's Treasury Management Team;
- The outturn against treasury and prudential indicators as set within the Treasury Strategy 2017/18 was shown in Annex B.

**RESOLVED** – That the Annual Treasury Management Report 2017/18 be **RECOMMENDED TO COUNCIL FOR APPROVAL**.

### 16 **TREASURY MANAGEMENT UPDATE**

Emily Bennetts advised members on the Treasury Management position as at 30 June 2018. The main headlines included:-

- The Bank of England base rate remained unchanged at 0.50%;
- The investment income budget of £73,590 was expected to be on target based on current levels, pending the outcome of future base rate rises;
- The Ascent debenture and loan income budgets were on target 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 currently forecast to be to budget with the savings on internally borrowing for part of the Ascent Loan offsetting the estimated future borrowing costs on the increased general fund borrowing requirement in the revised capital programme;
- The average return on investments was 0.57% during the period 1st April to 30th June. This compared favourably to short-term industry benchmarks;
- The Council's investment portfolio totalled £5.7million spread across four separate institutions as at 30<sup>th</sup> June 2018;
- The Council's current level of debt was £12.9million (£12million external borrowing and £0.9million finance lease arrangements).

The previously-referred to increase in the Bank Base rate had resulted in a generally improving return on the Council's investments. The imminent prospect of a further increase in the Bank Base Rate was likely to accelerate this process.

The Council had operated within the treasury management and prudential indicators set in its Treasury Management Strategy Statement 2018/19 and complied with the Council's Treasury Management Practices.

**RESOLVED** – That the treasury management position as at 30 June 2018 be **NOTED**.

## Audit & Accounts Committee - 27 July 2018

### 17 INTERNAL AUDIT - PROGRESS REPORT

John Leak presented the report to members in accordance with the Public Sector Internal Audit Standards, giving the position as at 30 June 2018.

The report illustrated the normal overlap between financial years and showed that 9 audit reports had been issued between 1 May 2018 and 30 June 2018, with 7 given 'Satisfactory', 1 'Substantial' and 1 'Limited' assurance. 98% of 2017/18 audit recommendations that were due had been implemented. All recommendations had been agreed.

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

### 18 INTERNAL AUDIT - ANNUAL REPORT

In accordance with the Public Sector Internal Audit Standards, John Leak reported his annual internal audit opinion.

The year end (2017/18) position was shown, including comparison with the previous year, as follows:-

<b>Summary Year End Information for 2017/18</b>	<b>2016/17</b>	
Percentage of Audit Plan completed (performance against annual plan)	92%	90%
Number of recommendations made	258	240
Percentage of recommendations agreed with Service Managers	100%	100%
Percentage of recommendations due implemented within agreed timescale	98%	100%

Completion of 92% of the audit plan represented 3 planned audits that were not completed. These were rolled over and included in the 2018/19 audit plan.

**RESOLVED** – That the Audit Service's 2017/18 year end performance and the opinion on the overall adequacy and effectiveness of the Council's internal control environment be **NOTED**.

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

The review had been conducted under the requirements of the Accounts & Audit Regulations 2015. A further requirement under the Public Sector Internal Audit Standards was that an external assessment of Internal Audit (EQA) be conducted at least once every 5 years by a qualified, independent assessor or assessment team from outside the organisation. The EQA was completed during 2016/17 and reported to this committee in July 2017. As a result of this, the Action Plan was updated. The Action Plan was appended to the report.

## Audit & Accounts Committee - 27 July 2018

Also appended to the report was the Quality Assurance & Improvement Programme.

**RESOLVED** – That the committee **NOTED** the annual review of the effectiveness of Internal Audit for 2017/18 including the Quality Assurance and Improvement Programme.

**FURTHER RESOLVED** – That the committee **NOTED** that Internal Audit was operating effectively and could be relied upon when considering the Annual Governance Statement for 2017/18.

### 20 ANNUAL REVIEW OF THE EFFECTIVENESS OF THE AUDIT & ACCOUNTS COMMITTEE INCLUDING TERMS OF REFERENCE

As a further requirement of the Accounts & Audit Regulations 2015, this review was presented to members by John Leak based on CIPFA guidance.

Appended to the report were the CIPFA Checklist for the Self-Assessment of Good Practice and the Assessment Tool for evaluating the effectiveness of the Audit & Accounts Committee.

Membership of the committee had recently been increased from 7 elected members to 9, though the Terms of Reference had not been amended to reflect this. Existing and amended Terms of Reference were appended to the report.

A recent training session had been held for committee members which had proved very beneficial, though it was noted that not all members had attended.

**RESOLVED** – That the annual review of the effectiveness of the Audit & Accounts Committee and the amended Terms of Reference be **APPROVED**.

### 21 WORK PROGRAMME

The Committee considered the Work Programme for the 2018/19 Municipal Year. Grant Patterson requested that the External Audit Annual Audit Letter be brought forward to the October 2018 meeting.

**RESOLVED** – That, with the above amendment, the Work Programme for 2018/19 be **APPROVED**.

**Audit & Accounts Committee - 27 July 2018**

**ANY OTHER BUSINESS**

1. A short consultation with Members and Auditors (Internal and External) but no other Officers had taken place prior to that start of the meeting for the first time.
2. Following the recent passing away of Mr. Barry Steans, Substitute Independent Person, who had served on the Committee for a number of years, it was agreed that a letter of condolence be sent to his widow in appreciation of his service to the Council.

The meeting closed at 11.15 am

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