

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

AUDIT & ACCOUNTS COMMITTEE MEETING

Minutes

FRIDAY, 12 FEBRUARY 2021

PRESENT: Councillor J Davies (Chair)

Councillors K Flunder, T Hall, K J Jackson, R Ward, N Yates,
Mr P Brough and Mr H Mawdsley

IN ATTENDANCE: S Jassal Engagement Lead, Grant Thornton LLP
M Green Audit Manager, Grant Thornton LLP
E Bennetts Finance Business Partner
CHazeldene Acting Executive Director (Finance and
Customer Services)
V Higgins Information Business Partner
J Leak Head of Audit
A Stokes Chief Executive
P Trafford Member & Community Services Officer

APOLOGIES: Councillors E Fallows

18 **DECLARATIONS OF INTEREST**

Councillor Flunder declared an “other” interest, having received a Covid19 Business Support Grant. He also later declared an “other” interest in that he was a member of the Staffs County Council Audit Committee.

19 **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the Minutes of the meeting of the Audit and Accounts Committee held on 24 November 2020 be **APPROVED** as a correct record and signed by the Chair.

20 **EXTERNAL AUDIT - ANNUAL AUDIT LETTER**

Michael Green – Key Audit Partner for Grant Thornton LLP – confirmed that this was to be the last ‘Annual Audit Letter’ to be issued. Under the new Code of Audit Practice there would be an ‘Annual Audit Report’ which would be more robust.

The letter introduced no new information above that reported to the November meeting. An unqualified audit opinion was issued on 30 November 2020.

21 **TREASURY MANAGEMENT UPDATE**

Finance Business Partner Emily Bennetts (EB) confirmed the position as at 31 December 2020, with headlines as follows:-

- There was no expectation for any increase to the Bank of England base rate within the medium term;

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- The PWLB rates had reduced by 1% following the outcome of the consultation;
- The Covid19 pandemic and resulting economic crisis was considered in terms of the impact on Treasury Management, in particular cash flows;
- A shortfall of £45,990 was forecast against the investment income budget due to reducing interest rates;
- An income shortfall of £42,420 was forecast on the Ascent loan interest due to lower interest rates than forecast; and the Debenture income was forecast on target. This 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 be £135,790 under budget owing to low Intra-Local Authority borrowing interest rates available;
- The average return on investments was 0.16% during quarter 3. This was reducing quarter on quarter;
- The Council's investment portfolio totalled £23.97million spread across seven separate institutions as at 31 December 2020;
- The Council's external debt was forecast to be £15million by the end of the year at an average annual borrowing rate of 0.88%.

In response to member queries, EB confirmed that risk levels had to be borne in mind when making any investments. Much of the cash balances that were held in 'Instant Access' accounts were made up of Covid grants which were, by nature, required with almost no notice. Future reports could be amended to show the proportion of the balances which were Covid-related.

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

22 **TREASURY MANAGEMENT STRATEGY**

The strategy was presented in accordance with the Local Government Act 2003, which required the Council to have regard to the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice. The Council was required to set prudential and treasury management indicators for the next 4 years to ensure that the Council's capital investment plans were affordable, prudent and sustainable.

The strategy comprised 3 main areas:-

- Capital Programme
- Treasury Management
- The Annual Investment Strategy

An additional section had been added to The Annual Investment Strategy called "Extraordinary Limits", brought about by the large Covid-related grant funding payments having been received from central government. This put pressure on the counterparty limits, so a facility was introduced to increase the limits by a reasonable percentage temporarily according to any situation arising. Such increases would be reported to this committee.

An area of growing interest was 'Ethical Investing' around Environmental, Social and Governance issues, with considerations around the Climate Change agenda. Statutory and CIPFA guidance dictated that all investments must adopt the 'SLY' principals (Security, then Liquidity, then Yield).

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Claire Hazeldene – Deputy Director, Finance, Income & Procurement – confirmed that another skills assessment for all members of the committee was to be carried out in the near future.

RESOLVED – That the Annual Treasury Management Strategy Statement 2021/22 be **RECOMMENDED TO COUNCIL FOR APPROVAL**.

23 **INTERNAL AUDIT PROGRESS REPORT**

John Leak (JL) – Audit Manager – summarised the performance of the Council's Internal Audit service. A total of 7 Audit Reports had been issued between 1 November 2020 and 31 January 2021 with 1 Limited, 4 Satisfactory, and 2 Substantial assurances given. All audit recommendations had been agreed and all that were due had been implemented. Of the recommendations made in the year 2019/20, 90% had been implemented.

9 Audits were shown to be 'in progress', with 68% of the Annual Audit Plan being completed. JL confirmed that his staff had been extensively involved in the Covid Business Grant process, causing some slippage in progress of the plan and some rollover into 2021/22. However, this should not affect Internal Audit's ability to provide the annual audit opinion. Complex controls were in place for the Covid Business Grant payment process, however a handful of fraudulent payments were known and all efforts were being made to recover the monies in question. It was agreed that a report would be presented to the next meeting of the committee regarding Covid Business Grant payments.

Following on from discussion at the previous meeting of the committee, JL reported on feedback from the recommendations in the Corporate Governance Review. Specifically, approval of annual leave and expenses for the Chief Executive Officer (CEO) would now rest initially with the Leader of the Council, passing on to an Executive Director for completion. The CEO's twice-yearly appraisal would be conducted in March and September of each year by the Leaders of the 2 Alliance Councils.

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

24 **REGULATION OF INVESTIGATORY POWERS ACT - POLICY & PROCEDURES**

RIPA was introduced in order to provide the correct balance between an individual's right to privacy under the Human Rights Act 1998 and the proper use of data and surveillance by public authorities, such as the Police and local councils, who are entrusted by law to carry out certain enforcement duties. The Act identifies certain areas where carrying out these enforcement duties would inevitably conflict with individuals' right to privacy.

The current policy and procedures were approved and adopted by this committee in February 2020, though no authorisations had been granted since 2008. The Investigatory Power Commissioner's Office carry out an inspection of the Council's arrangements for managing the use of RIPA authorisations every 3 years, with the last inspection being in November 2019.

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The only change to the policy as presented was to the Authorising Officers, brought about by the change in the senior management structure of the Council.

RESOLVED – That the Council’s use of RIPA powers be **NOTED**.

FURTHER RESOLVED - That the updated Regulation of Investigatory Powers Act 2000 Policy and Procedures as appended to the report be **APPROVED** and **ADOPTED**.

25 **RISK MANAGEMENT UPDATE**

Vanessa Higgins (VH) – Information Business Partner – presented the Council’s Strategic, Operational and Project Risk Registers as at December 2020.

The Strategic Risk Register identified 15 strategic risks, of which 47% (7) were rated as ‘high’ and therefore above the Council’s risk tolerance threshold. There had been no change in the strategic risk profile since the previous report and the 7 risks were detailed in the report.

The Operational Risk Register identified 36 operational risks of which 12 were rated as ‘high’. This was an increase of 6 risks, which were detailed.

The Project Risk Register covered 14 projects due to the addition of several new corporate plan priority projects. 2 risks had been closed down and 2 new ones added.

RESOLVED – That the Council’s current risk position and the mitigation / fruition plans be **NOTED**.

26 **RISK MANAGEMENT STRATEGY**

The Alliance Risk Management Strategy was reviewed every 2 years in order to ensure the Council’s approach reflected changing circumstances. This review had been informed by a number of considerations, including:-

- A voluntary external review of our operational risk management arrangements by strategic risk engineers from our insurance partner – Zurich Municipal. This resulted in a ‘good opinion’;
- 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 and the Corporate Risk Assessment Group;
- Horizon-scanning for emerging risks within the public sector and more widely, as identified by the risk and insurance sectors.

Overriding themes for the Alliance were :- trust and conflict, mental health, ICT / Cyber, and sustainability / climate change. Specific climate change targets would be incorporated within the next 2 weeks.

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

27 **WORK PROGRAMME**

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The Committee considered the Work Programme for 2021/22.
An additional item would be added 'Covid Grant Fraud' for the next meeting.
Specific dates of meetings during 2021/22 were prone to change due to the ongoing effects of Covid.

RESOLVED – That, with the addition referred to above, the Work Programme for 2021/22 be **APPROVED**.

28 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED - That pursuant to Section 100A (2) and (4) of the Local Government Act, 1972, the public be excluded from the meeting in view of the nature of the business to be transacted or nature of the proceedings whereby it is likely that exempt information as defined in Section 100A (3) of the Act would be disclosed to the public in breach of the obligation of confidence or exempt information as defined in Section 100I (1) of Part 1 of Schedule 12A of the Act would be disclosed to the public by virtue of the paragraphs indicated.

29 **EXEMPT MINUTES OF THE PREVIOUS MEETING**

The exempt minutes of the meeting of the Audit & Accounts Committee held on 24 November 2020 were **APPROVED** as a correct record and signed by the Chair.

The meeting closed at 11.37 am

_____ Chairman _____ Date