

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

AUDIT & ACCOUNTS COMMITTEE MEETING

Minutes

FRIDAY, 25 JUNE 2021

PRESENT: Councillor J Davies (Chair)

Councillors E Fallows, K Flunder, T Hall, N Hawkins, K J Jackson, R Ward, P Wilkinson and Messrs. P Brough and H Mawdsley.

IN ATTENDANCE: S Jassal Grant Thornton Management Lead
E Bennetts Finance Business Partner
CHazeldene Acting Executive Director (Finance and Customer Services)
J Betts Interim Chief Finance Officer
J Leak Head of Audit
K Pointon Principal Finance Officer
P Trafford Member & Community Services Officer

APOLOGIES: Councillor N Yates

30 **DECLARATIONS OF INTEREST**

The Chair introduced Mr. John Betts – Interim Chief Finance Officer – who had been appointed due to the imminent departure of Claire Hazeldene and would fulfil the role until a permanent appointment was made.

A ‘Knowledge & Skills Framework self-assessment’ had been circulated to all members of the committee in March 2021 but, to date, only 4 responses had been received. Members were reminded to complete the questionnaire if they had not already done so, which would assist in both the co-option of independent members and the future development requirements for the committee.

Councillors Flunder and Wilkinson declared that they had received COVID Business Grants.

31 **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the minutes of the meeting of the Audit and Accounts Committee held on 12 February 2021 be **APPROVED** as a correct record and signed by the Chair.

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32 EXTERNAL AUDIT - AUDIT PLAN

Sarah Jassal – Grant Thornton Engagement Manager – presented the plan to members with similar headlines to previous plans. Materiality was set at 2% of the prior year gross expenditure. The 3 significant risk areas were unchanged.

Planning work had started in March 2021 and the final visit was to commence on 22 July 2021. The deadline for the Statement of Accounts was 13 September 2021 which was likely to prove challenging. The committee would be kept informed.

The proposed total audit fee was £56,145, which represented an increase over the previous year brought about by the revised code and ISAs which were relevant for the 2021/21 audit. The increase was due to be funded directly by the MHCLG.

33 EXTERNAL AUDIT - INFORMING THE AUDIT RISK ASSESSMENT

The report contributed to the 2-way communication between Grant Thornton and this committee, this being required under International Standards on Auditing (UK), (ISA(UK)).

The risk assessment constituted a series of questions and the SMDC management responses.

The afore-mentioned 'Skills and Knowledge Questionnaire' responses were again requested in order for a training plan to be formulated.

34 ANNUAL TREASURY MANAGEMENT REPORT

Finance Business Partner Emily Bennetts presented the report to members in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and generally accepted good practice.

The budget had been set pre-COVID and the interest rates during the year had been considerably lower than expected. Additionally, grant income from central government, together with payment delays on Council Tax and Business Rates had caused a fluctuating cashflow effect. All investments had been converted to instant access due to the Council's need to ensure liquidity. An overall average interest rate of 0.22% was achieved on the council's investment portfolio which compared favourably with short-term market benchmarks.

RESOLVED – That the Annual Treasury Management Report 2020/21 be recommended to Council for **APPROVAL**.

35 **TREASURY MANAGEMENT UPDATE**

The update was presented as at 31 May 2021 with everything as expected. There had been speculation of an increase in interest rates but this had not happened yet.

The main headlines were:-

- There was no expectation for any increase to the Bank of England base rate within the medium term;
- All interest income was forecast to be on target at this early point in the year for Investments in financial institutions and also from the Ascent loan and Debenture. 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 also forecast on target and would be affected by the outcome of the same decisions on the Ascent loan;
- The average return on investments to the end of May was 0.11%, this was boosted by the notice account investments, whereas instant access accounts earn interest at 0.01%;
- The Council's investment portfolio totalled £16.1million spread across six separate institutions as at 31st May 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%.

RESOLVED – That the Treasury Management position as at 31 May 2021 be **NOTED**.

36 **INTERNAL AUDIT CHARTER**

Head of Internal Audit - John Leak – advised members that 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 purposes was the Audit & Accounts Committee.

The PSIAS required that the charter should:

- recognise the mandatory nature of the PSIAS;
- define the scope of internal audit activities;
- establish the responsibilities and objectives of internal audit;
- establish the organisational independence of internal audit;
- establish the accountability, reporting lines and relationships between the Head of Audit and the Audit Committee and those to whom the Head of Audit reports to functionally and administratively;

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- set out the responsibility of the Audit Committee and also the role of the statutory officers with regards to internal audit;
- set out the arrangements that exist within the organisations counter-fraud and corruption strategy, requiring the Head of Audit to be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual internal audit opinion and the risk-based plan;
- recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls;
- establish internal audit's right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

And that it must:

- define the terms "board" and "senior management" for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud related work; and
- describe safeguards to limit impairments of independence or objectivity if internal audit or the Head of Audit undertakes non-audit activities.

Amendments to the charter previously adopted in 2017 were confined mainly to changes in job titles and responsibilities.

RESOLVED – That the Council's updated Internal Audit Charter be **APPROVED**.

37 INTERNAL AUDIT - ANNUAL AUDIT PLAN

Work in relation to the Audit Plan 2020/21 had been impacted by the fact that internal audit staff had been working in conjunction with other officers on the administration of various COVID-related grants to businesses.

The 2020/21 Audit Plan was therefore nearing completion and work had started on the 2021/22 plan during June 2021.

RESOLVED – That the Council's annual Internal Audit Plan for 2021/22 be **APPROVED**.

38 INTERNAL AUDIT PROGRESS REPORT

The report summarised performance information for the Council's Internal Audit service for the 2020/21 financial year. It 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.

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All recommendations had been agreed and, to date, 91% of 2020/21 recommendations that were due had been implemented. 11 audits had been completed during the period 1 February 2021 to 31 May 2021 with 1 Substantial and 10 Satisfactory assurances given. 3 further audits were shown to be in progress. Extensive work had been undertaken by Internal Audit staff on the COVID business grant process, meaning that when outstanding audits were finalised, 86% of the 2020/21 Audit Plan would be completed. Whilst lower than usual, this would not affect Internal Audit's ability to provide the annual audit opinion.

Members queried the CCTV Audit and the arrangements currently in place for monitoring and value-for-money. The responsible Head of Service would be requested to provide a separate update on this service to a future meeting.

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

39 COVID BUSINESS GRANTS - MEASURES TO GUARD AGAINST FRAUD

Claire Hazeldene – Acting Executive Director (Finance & Customer Services) – advised members on a series of business grant schemes which were introduced by the Secretary of State for Business, Energy and Industrial Strategy to support businesses through the lockdowns and tiered systems brought about by the COVID pandemic.

Funding for the various grants had been provided 'up front' and many staff from across the Alliance had helped out in administering a total of £42,549,977 via 9,199 applications. Checks had been carried out to verify the entitlement of businesses to the payments with various proofs required and Companies House checks carried out. A number of government returns had been completed, together with risk assessments for possible fraudulent applications.

Of the 9,199 total cases, only 8 had been identified as incorrectly paid and a breakdown of these cases was outlined in the report. Only 1 of the cases was fraudulent, the other 7 being mistaken applications.

Claire stated that the early stages of the checking process highlighted that some records were out of date. The value of having a visiting officer could not be understated and it was hoped to re-instate an officer to that position.

Members thanked all staff that had been involved in the process.

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

40 FINANCIAL MANAGEMENT CODE

Claire Hazeldene presented the report to members confirming that the Financial Management Code (FMC) had been introduced in 2019 (pre COVID) by CIPFA in recognition of the exceptional financial circumstances faced by local authorities, which had been further tested by the pandemic.

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Under the code, Local Authorities were required to demonstrate good practice by referring to the FMC in the Annual Governance Statement. The 1st full year of compliance was originally scheduled for 2021/22. However, recognising the extra pressures due to COVID, CIPFA had agreed on a more flexible framework where a proportionate approach was encouraged.

At this early stage, the Council had conducted an initial high-level review against the principles of the code. This was appended to the report by way of a Red Amber Green (RAG) assessment. The following areas had been identified where further work may be required for full compliance:-

- Financial Procedure Rules require reviewing and updating;
- Financial resilience reporting to be enhanced utilising tools such as the CIPFA Financial Resilience index;
- Review current consultation processes in respect of the budget setting process;
- Enhance use of balance sheet review tools and cost drivers to input into longer-term financial stability and implications of specific projects.

RESOLVED – That the report be **NOTED** and that the recommendation for a full self-assessment against the principles of the CIPFA Financial Management Code also be **NOTED**.

41 **COUNTER FRAUD AND CORRUPTION STRATEGY**

John Leak introduced the strategy as an update to the existing one which had been in place for a number of years.

There were no major changes, just minor tweaks to wording and job titles / responsibilities.

RESOLVED – That the Council's updated Counter Fraud & Corruption Strategy be **APPROVED**.

42 **WORK PROGRAMME**

The Committee considered the Work Programme for 2021/22.

RESOLVED – That the Work Programme for 2021/22 be **APPROVED**.

43 **EXCLUSION OF THE 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.

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44 **EXEMPT MINUTES OF THE PREVIOUS MEETING**

The exempt minutes of the meeting of the Audit & Accounts Committee held on 12 February 2021 were **APPROVED** as a correct record and signed by the Chair.

The Chair confirmed that the 15 minute Q and A session with the Council's auditors which had been dispensed with for this meeting would resume at the next meeting.

All members extended their sincere thanks to Claire Hazeldene and their best wishes in her new position at Stoke-on-Trent City Council.

The meeting closed at 11.40 am

_____Chairman_____Date