

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

AUDIT & ACCOUNTS COMMITTEE MEETING

Minutes

FRIDAY, 17 JUNE 2022

PRESENT: Councillor J Davies (Chair)

Councillors N Hawkins, K J Jackson and N Yates

IN ATTENDANCE: S Jassal Grant Thornton Engagement Manager
M Green Grant Thornton Key Audit Partner
E Bennetts Finance Business Partner
V Higgins Information Business Partner
J Leak Head of Audit
K Pointon Head of Finance
P Trafford Member & Community Services Officer
M Owen Executive Director for Finance and Customer Services

APOLOGIES: Councillors E Fallows, P Jackson and B Johnson

The Chair welcomed Martin Owen to his first Audit & Accounts Committee meeting.

73 **DECLARATIONS OF INTEREST**

There were no declarations made.

74 **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the minutes of the meeting of the Audit & Accounts Committee held on 11 February 2022 be **APPROVED** as a correct record and signed by the Chair.

75 **EXTERNAL AUDIT - AUDIT PLAN**

Key Audit Partner Michael Green introduced the report, confirming the 3 significant risks as previously identified:-

- Presumed risk of management override of controls;
- Valuation of land and buildings;
- Valuation of net pension fund liabilities.

An additional significant risk had been highlighted this year – the cessation of the joint venture with Ascent Housing.

Materiality had been set at £735k (up on the previous year figure of £605k), equating to around 2% of the Council's prior year gross expenditure.

No significant weaknesses had been identified in the Council's arrangements to secure value for money.

The final 2020/21 audit fee had been set at £56,246. An amount of £2,500 had been included for remote working but was to be removed.

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Grant Thornton was adopting a tranche-based approach, with SMDC being scheduled for later in the year and Martin Owen advised that, whilst this was not ideal, every effort would be made to mitigate the risk of further drift.

Responding to a member query regarding pension deficit, Keith Pointon noted that the triennial valuation of the Pension Fund was due to take place in 2022. At the previous valuation in 2019 the fund was 86% funded, with SMDC contributing £900,000 per annum to the deficit in addition to its normal contributions. It was anticipated that the normal contribution rate was likely to increase as a result of the valuation.

A request was made for a 1-page summary of the Ascent programme to show its overall level of success. Martin Owen agreed to produce the information and to seek specific detail with regard to Your Housing Group's proposals for the £10m loan recently made.

76 RISK MANAGEMENT UPDATE

The Council's Strategic, Operational and Project Risk Registers were reviewed by the Committee on an exception basis. This review was as at March 2022.

- STRATEGIC – 16 risks had been identified and assessed, with no significant changes from the previous review. 8 were rated 'high' and were listed in Appendix A to the report;
- OPERATIONAL – 42 risks, 11 of which were rated 'high' and listed in Appendix B. Newly identified risks were:- a) Escalation of the Arboreal Services risk to high due to the loss of a staff member, and b) 2 new risks added around hyper inflation energy costs (medium) and construction costs / resource availability (high);
- PROJECT – 15 projects covered, 4 of which were rated 'high' and listed in Appendix C. 2 new projects added since the previous review were a) Call Recording in the Contact Centre and b) the Norse joint venture.

RESOLVED – That the Council's risk position and the mitigation / fruition plans contained within the report be **NOTED**.

77 ANNUAL TREASURY MANAGEMENT REPORT

The report allowed the robust scrutiny of the Council's Treasury Management performance in 2021/22 in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Emily Bennetts outlined the following areas to members:-

- The Council's capital expenditure and overall borrowing need during the year;
- Compliance with Prudential Indicators, showing the outturn against those indicators formally adopted in the 2021/22 Treasury Management Strategy Statement;
- A review of the Treasury Management Strategy and the economic environment during the year;
- The Council's borrowing outturn;
- The Council's capital loan (service investment) activity;
- The Council's investment portfolio and performance, including a summary on investments with Environmental, Social and Governance (ESG) positive links.

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The main headlines included:-

- Capital expenditure in 2021/22 totalled £13million, including a £10million capital loan (service investment – housing) to Your Housing Ltd. Capital expenditure was partly funded via capital receipts, reserves and contributions; the remainder had created a borrowing requirement of £6.3million;
- Total external debt at 31st March 2022 amounted to £12.6million. There was an underspend of £34,600 against borrowing costs;
- £468,075 interest income was earned from the maturing debenture and loan balances held with Ascent Housing LLP and the new capital loan (service investment - housing) to Your Housing Limited. There was an overall shortfall of £54,805 against the budget due to the reduction of the overall loan value and falling interest rates;
- The average daily investment portfolio during 2021/22 was £12.4million invested with a total of nine institutions, yielding £42,825 in investment income. There was a £22,329 surplus against the investment income budget following increases in the Bank of England base rate in quarter 4;
- The average return achieved by the Council on its investment portfolio for the year was 0.20%. Year-end investments totalled £27.3million, all internally managed by the Council's Treasury Management Team.

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

78 **TREASURY MANAGEMENT UPDATE**

The report enabled the robust scrutiny of the Council's Treasury Management performance as at 31 May 2022. The main headlines were:-

- The Bank of England base rate increased from 0.75% to 1.00% in May 2022;
- Due to the subsequent increases in investment interest rates, a surplus of £72,770 was forecast against the investment income interest budget;
- The Council's investment portfolio totalled £23.3million spread across eight separate institutions as at 31st May 2022;
- The capital loan (service investment – housing) was earning £307,000 interest during the year. Borrowing costs of £214,350 to support this were included in the borrowing costs forecast outturn;
- The Council's average external debt was forecast to be £10.6million at an average annual borrowing rate of 1.56%;
- The borrowing costs budget forecasted a total saving of £28,700, split between savings on the MRP charge and interest costs.

RESOLVED – That the Council's Treasury Management position as at 31 May 2022 be **NOTED**.

79 **2021/2022 INTERNAL AUDIT PERIODIC REPORT**

Head of Internal Audit – John Leak – presented the report covering audit performance for the period 1 February 2022 to 31 May 2022, showing the overlap from 2021/22 into 2022/23 caused in part by the ongoing diversion of audit resources to support the corporate response to the administration of the various Government Business Grants Support Schemes and a staff secondment.

9 Audits had been completed, with 2 being given ‘substantial’ assurance, 6 ‘satisfactory’ and 1 ‘limited’. 4 further audits were ongoing. All recommendations had been agreed and 90% of those that were due had been implemented.

Members were concerned with the implementation problems surrounding CCTV coverage. Martin Owen agreed to research the situation and provide members with the number of cameras currently functioning in each location.

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

80 **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 which required the Charter to be approved by the ‘Board’, which for the Council’s purpose was the Audit & Accounts Committee.

It was considered to be good practice to approve the Charter annually when the Audit Plan was done. There were no material changes to the Charter.

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

81 **INTERNAL AUDIT - ANNUAL AUDIT PLAN 2022/2023**

The Public Sector Internal Audit Standards state that the Audit Plan must be based on a documented risk assessment undertaken at least annually and needed to be flexible in response to changes in the Council’s business, risks, operations, programs, systems and controls. Furthermore, the Standards state that the Audit manager must communicate the internal audit activity’s plans and resource requirements to senior management and the Audit Committee for review and approval. The Audit Manager must also communicate the impact of resource limitations. The report addressed those requirements.

The extension of the staff secondment from the Internal Audit team to 31 August 2022 has reduced available audit days. The Audit Plan for 2022/23 was therefore based on a full complement of staff from September onwards and aimed to cover the Council’s key risks and systems.

RESOLVED – That the Council’s annual Internal Audit Plan for 2022/23 be **APPROVED**.

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82 **FINANCIAL MANAGEMENT CODE**

Following on from a report to the Committee in June 2021 where areas were identified for improvement, Keith Pinton – Head of Finance – gave a verbal update to confirm that the areas in question had yet to be addressed. The areas included:-

- Financial Procedure Rules – update needed;
- More use of analysis tools regarding financial resilience;
- Consultation regarding budget planning;
- Further use of balance sheet review on larger projects.

There would be a full report on progress in due course.

83 **WORK PROGRAMME**

RESOLVED – That the published Work Programme for 2022/23 be **APPROVED**.

The meeting closed at 11.27 am

_____Chairman_____Date