

**AUDIT COMMITTEE**  
**17/01/2022 at 6.00pm**

**Present:** Councillor Islam (Vice Chair in the Chair); Councillors Ahmad, Arnott, Dean, C. Gloster and Surjan.

**In attendance:** A. Ryans (Director of Finance)  
M. Stenson (Assistant Director of Corporate Governance and Strategic Financial Management)  
J. Miller (Finance Service)  
L. Walsh (Finance Service)  
V. Gallacher (Risk and Insurance Service)  
K. Murray (Mazars – External Auditors)  
P. Thompson (Constitutional Services)

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Alyas, Briggs and Salamat.

2 **URGENT BUSINESS**

There were no items of urgent business for this meeting of the Committee to consider.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions for this meeting of the Committee to consider.

5 **MINUTES**

Resolved:

That the Minutes of the meeting of the Audit Committee held 2<sup>nd</sup> November 2021 be approved as a correct record.

6 **2020/21 ANNUAL STATEMENT OF ACCOUNTS**

The Committee considered a report of the Director of Finance which presented an update on the current position regarding the audit and approval of the 2020/2021 Statement of Accounts and an update on outstanding audit issues that had been presented to previous meetings of the Committee. The report also advised of the arrangements for the procurement of an auditor for the period 2023/2024 to 2027/2028 and proposed changes to audit deadlines.

The Committee were reminded that at the last meeting, on 2<sup>nd</sup> November 2021, Members had been updated on the completion

of the Accounts and notified that the accounts were signed off on 30<sup>th</sup> September 2021 in line with the statutory deadline. As noted at that meeting there were still two outstanding items in relation the audit process for 2020/21, namely the: Value for Money (VFM) opinion; and the Whole of Government Accounts (WGA). The submitted report therefore updated Members that one matter, the Value for Money opinion, has been concluded. The VFM opinion had considered the three reporting criteria of: Financial Sustainability; Governance and Improving Economy, Efficiency and Effectiveness.

On each of the three areas, the VFM opinion, included within the Auditor's Annual Report, concluded that no risk of significant weaknesses in arrangements had been identified and that there were no actual weaknesses in the arrangements identified. The Whole of Government Accounts was still outstanding and was due to be completed early in 2022. The submitted report also provided an update on the: Procurement of the Council's External Auditors for the period 2023/2024 to 2027/2028 and the Council's decision to accept the Public Sector Audit Appointments (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal Local Government and Police Bodies for five financial years from 1<sup>st</sup> April 2023, as approved at the Council meeting on 15<sup>th</sup> December 2021; and advised that changes to the deadline for publishing audited Local Authority accounts to 30<sup>th</sup> November 2022 for the 2021/2022 accounts and 30<sup>th</sup> September 2022 for five years from 2023/2024 to 2027/2028.

Resolved:

That the submitted report and the Auditor's Annual report for the year ending 31<sup>st</sup> March 2021, incorporating the Council's Value for Money Opinion, be noted.

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## **COMPLIANCE WITH THE CIPFA FINANCIAL MANAGEMENT CODE**

The Committee considered a report which presented information which highlighted the Council's compliance with the Financial Management Code, that had been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In response to the financial challenges being faced by several Local Authorities, towards the end of 2019, CIPFA issued the 'CIPFA Financial Management Code' (FM Code) that was designed to support good practice in financial management and to assist Councils in demonstrating financial sustainability. However, it was not until mid-2020 that the guidance notes to support this document were issued which provided a more comprehensive description of the requirements and how these could be demonstrated. Due to the timing of the issue of the documentation, the financial year 2020/2021 became a 'shadow' year to allow time for Authorities to demonstrate how they were working towards full implementation of the Code. The first full year of compliance with the FM Code is 2021/2022.

The FM Code applied a principles-based approach. It did not prescribe the financial management arrangements that Local Authorities should adopt. Instead, it required that a Local Authority ensured and was able to demonstrate, that it satisfied the principles of good financial management for an authority of its size, responsibilities and circumstances.

The Code has six underlying principles designed to focus on robust financial management as a way of achieving both short-term financial resilience and long-term financial sustainability.

Since the detailed guidance notes were issued, the Finance Team had reviewed the Code and the Council's compliance several times. The report therefore highlighted that the Council was 'well placed', with generally good Code compliance. The Committee's report set out the requirements of the seven sections of the Code and its seventeen standards, highlighting where there was compliance and where some revisions and/or changes to practice were required in order that the Code could be addressed in full. The FM Code was presented at Appendix 2 of the Committee's report.

From a financial management perspective, Members were advised of three key issues about which they should have regard: firstly, the External Audit opinion on the Statement of Accounts upon which the Audit Committee has been fully updated. This gave Members of the Committee assurance about the high standard of accounting practice; secondly, the issuing by the External Auditor on 17<sup>th</sup> December 2021 of the Auditors Annual Report on the financial year 2020/21, which included commentary on the audit of the financial statements as well an opinion on the Council's Value for Money (VFM) arrangements; and thirdly, where areas of development were identified, work was in progress to address the various issues.

Resolved:

That the Committee notes the level of compliance with the Chartered Institute of Public Finance and Accountancy's Financial management Code and the issues that will require further improvement.

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## **TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23**

The Committee considered a report of the Chief Finance Officer that presented the strategy for 2022/2023 Treasury Management activities including the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators, together with linkages to the Capital Strategy. In addition to the report the Chief Finance officer circulated a briefing note that expanded on various 'key' issues that were detailed in the report.

The report outlined the Treasury Management Strategy for 2022/2023, including the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy. The Council was required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The Council was also required to produce an Annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2021 (the Code) also required the receipt by full Council of a Treasury Management Strategy Statement. The Strategy for 2022/2023 covered two main areas: Capital Issues and Treasury Management Issues.

The Capital Issues were concerned with the capital expenditure plans and the associated Prudential Indicators and the Minimum Revenue Provision (MRP) Policy Statement.

The Treasury Management Issues: detailed the Current Treasury Position, Treasury Indicators which limit the treasury risk and activities of the Council, Prospects for Interest Rates, the Borrowing Strategy, the Policy on Borrowing in Advance of Need, Debt Rescheduling, the Investment Strategy, the Creditworthiness Policy and the Policy regarding the use of external service providers. The Committee's report outlined the implications and key factors in relation to each of the above Capital and Treasury Management issues and made recommendations regarding the Treasury Management Strategy for 2022/2023.

The report included an economic background commentary reflecting the latest positions at 31<sup>st</sup> December 2021. During 2020/2021, there were two consultation exercises on the Prudential Code and Code of Practice on Treasury Management with a range of proposed changes being considered. These mainly related to commercial investments and the requirement for Authorities to adopt a more prudent approach. The consultation ended on 16<sup>th</sup> November 2021 and the changes to the Codes were issued on 20<sup>th</sup> December 2021. The Council's Strategy for 2022/2023 incorporated these recent changes in the Codes where information was readily available. The proposed Treasury Management Strategy was presented to the Audit Committee to enable scrutiny of the report before it's further consideration in the budget setting cycle. It was also due to be presented to the Policy Overview and Scrutiny Committee on 27<sup>th</sup> January 2022. Any comments from the Audit Committee and the Policy Overview and Scrutiny Committee would be

incorporated into the 'budget' report that was to be presented to Cabinet on 14<sup>th</sup> February 2022 and Council on 2<sup>nd</sup> March 2022.

Resolved:

That the Audit Committee commends to the Cabinet on 14<sup>th</sup> February 2022 the following, as detailed in the submitted report:

1. Capital Expenditure Estimates as set out at paragraph 2.1.2.
2. The Minimum Reserve Position policy and method of calculation as detailed at Appendix 1.
3. The Capital Financing Requirement (CFR) Projections as set out at paragraph 2.2.4.
4. The Projected treasury position as reported on 31<sup>st</sup> March 2022, as detailed at paragraph 2.3.3.
5. The Treasury Limit's as detailed in Section 2.4.
6. The Borrowing Strategy for 2022/2023 as detailed in Section 2.6.
7. The Annual Investment Strategy as detailed in Section 2.10 (including risk management and the creditworthiness policy referenced at Section 2.11)
8. The Level of investment in specified and non-specified investments as detailed at Appendix 5.

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## **2021/22 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which provided Members with a high-level progress report on the work of the Audit and Counter Fraud team for the 2021/2022 financial year.

Members were informed that the team had prioritised work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2021/22 audit of the financial accounts. Both planning and field work had commenced in a number of areas for the first stage FFS reviews for 2021/22. In addition to that work, highlights of the Audit and Counter Fraud Team included:

The report summarises the work carried out by the team from 1<sup>st</sup> April 2021 to 31<sup>st</sup> December 2021. The team had continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/2022 audit of the financial accounts. It was reported that some Interim FFS reviews had reached their draft report stage, with the balance to follow in the final quarter of 2021/2022. In addition, other Audit and Counter Fraud Team highlights included:

- The continued support in respect of COVID-19 grant funding regimes, including the Homelessness Prevention Grant and Business Grants.
- Resumption of audit reviews outside of FFS including Children's Services 'imprest' accounts; capital project procurement and contract management, and ongoing support and review of maintained schools.

- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver significant recovery outcomes which have generated £341,253 and £2,069,044 (respectively) in the first three quarters of the current financial year.

Resolved:

That the 2021/2022 Audit and Counter Fraud Progress Report be accepted and noted.

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### **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2021/22 AND EARLY 2022/23**

The Committee received a copy of the proposed Audit Committee Work Programme for 2021/22 and early 2022/23.

Resolved:

That the proposed Audit Committee Work Programme for 2021/22 and early 2022/23 be noted.

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### **EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following two items of business on the grounds that they contain exempt information under paragraphs 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

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### **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2020/21 AND NEW ISSUES**

The Committee considered a confidential report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members on the progress made to reduce the risk of issues arising for the Council to address, where matters had been identified as areas requiring improvement in internal control within the Annual Governance Statement for 2020/21. The report also identified new risks which were considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2021/22.

The Council is required, as part of its Statement of Final Accounts, to produce an Annual Governance Statement. This document identifies significant governance issues that the Council needs to consider at the end of a financial year to mitigate its risks.

In considering the report Members of the Committee requested that reports be presented to future meetings of the Committee regarding the Council's Payroll Service and on the effectiveness of the Authority's scrutiny function.

Resolved:

1. That the report be noted.
2. That reports be presented to future meetings of the Committee regarding the operations of the Council's Payroll Service and on the effectiveness of the Authority's scrutiny function.

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### **SENIOR INFORMATION RISK OWNER UPDATE**

The Committee considered a confidential report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated Members on information security breaches, risk issues/actions for the first six months of the 2021/22 financial year. The report was the 'half yearly' update of the Senior Information Risk Owner to the Audit Committee highlighting Information Security Incidents and related matters that had occurred during the period 1<sup>st</sup> April 2021 to 30<sup>th</sup> September 2021.

Resolved:

That the report be noted.

The meeting started at 6.00pm and ended at 7.38pm