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AUDIT COMMITTEE

18 JULY 2024

PRESENT:

Councillors P Taylor (Chair), Vernon and Woodward

Observer:

Officers In Attendance:

Also Present:

1 APOLOGIES FOR ABSENCE

Apologies were received from Cllrs Marshall (Vice-Chair), Robertson and J. Smith.

2 DECLARATIONS OF INTEREST

No declarations of interest were received.

3 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting, held April 17th 2024, were taken as read and approved as a correct record.

The committee recorded their thanks to Andrew Wood for the work done on the Annual Report and the Audit Committee Effectiveness report following the previous meeting and before they were presented at full Council. It also wished him a speedy recovery from illness.

4 ANNUAL TREASURY MANAGEMENT REPORT

Anthony Thomas (Director for Finance, Regulation & Enforcement) presented the report to the committee. He stated that in terms of the pre-Audit Balance Sheet the assets and liabilities are £5.4 million higher than estimated in the budget due to non-current asset valuations and higher investments, the Equity or Reserves are also £5.4m higher due to higher earmarked reserves and unapplied grants and contributions due to the lower level of Capital spend and confirmed the authority is compliant with all treasury limits and prudential indicators.

Mr Thomas highlighted a previous discussion of the committee to reduce strategic investments from £14 million to £9 million to reduce financial risk and provide cash for the £5m internal borrowing for the leisure centre. Arlingclose have been consulted on this and recommended the council wait until an anticipated reduction in interest rates later this year. Arlingclose have also recommend retaining the £2 million currently allocated in the property fund because it provides asset diversification.

Mr Thomas clarified to members that “non-current assets” refer to large physical assets that provide long term benefits.

- *Members asked if the council was financially secure.*
Mr Thomas stated that most councils currently at financial risk were upper tier authorities with more budgetary pressures on social care and children’s services for

example. He did not anticipate the council getting into financial difficulty within the next 5 years based on current projections.

- *Members asked about additional capital added to a recent major project at Full Council and if this would mean other opportunities would now miss out on funding.*

Mr Thomas confirmed the details of the revised project budget would be in the MTFs report that goes to Cabinet in July 2024. The money used for funding the additional spend in question was from areas of funding that had not been allocated although there is an opportunity cost because this funding could be used to fund other eligible capital investment.

RESOLVED: The committee:

- Reviewed the report and issues raised within.
- Reviewed the actual 2023/24 Prudential Indicators contained within the report.

5 CIPFA RESILIENCE INDEX

Mr Thomas presented the report to the committee. He flagged the replacement of the waste fleet through a contract hire arrangement and the upcoming impact this may have on the debt indicators. He stated that the council has taken a proactive choice to use its reserves to fund place shaping capital investment and this will impact on the reserve indicators. These are decisions taken by the Council on a proactive basis rather than being reactive means there is less cause for concern over the impact on the indicators.

- *Members asked if the council had adequate reserves.*

Mr Thomas confirmed he is required by law each year to sign off on the reserves as being at an adequate level to manage financial risks as part of the MTFs report to Council.

RESOLVED: The Committee noted the results of the CIPFA Resilience Index for 2023.

6 FINANCIAL PROCEDURE RULES

Mr Thomas presented the report to the committee. He highlighted that any changes recommended have been shaded blue in the appendix – these do not represent a fundamental review but minor amendments. More substantial changes could be seen with regards to the updates to the Key Decision limit and definition. He highlighted a training and communication plan to be created for officers to undertake once the new rules have been approved by Council in October 2024.

- *Members asked if a lower limit on the write-off of debt could be circumvented through multiple smaller write-offs and suggested a cumulative limit may be more appropriate.*

Mr Thomas confirmed he was happy to discuss this with the Revenues, Benefits and Corporate Debt Service Manager and include further options in the version of the report that goes to Full Council.

- *Members highlighted the issue of transparency and how non-cabinet members, such as the Chair of the Audit Committee, can provide check and balance to the process of setting limits for write-offs and Key Decisions and, further, in making key decisions.*

Mr Thomas agreed to look at this.

RESOLVED: The Committee:

- Notes the contents of this report.
- Provides views on the revised Financial Procedure Rules.

- Recommends (subject to the consideration of and views provided by the Committee) to Council to approve the revised Financial Procedure Rules

7 INTERNAL AUDIT PROGRESS REPORT

Mr Thomas presented the report on behalf of Andrew Wood (Audit Manager). He confirmed that any questions he could not answer would be passed to Mr Wood. Mr Thomas confirmed 19% of the plan has been completed compared to a planned completion of 13%, putting the audit ahead of progress. Three I.T. audits are currently awaiting timings of their audits to be confirmed. There are nine high priority audit recommendations following the issues raised around DWP searchlight. Once actions to address the recommendations have been confirmed to have been made, they will be removed from the list of high priority recommendations.

Members believed 114 outstanding recommendations was a significant amount and too high.

RESOLVED: The committee noted Internal Audit's Annual Report, including results for the quarter to 30 June 2024.

8 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME /PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Mr Thomas presented the report on behalf of Andrew Wood. It was noted that internal audit standards are being reviewed globally. For the UK, this implementation period had been extended to April 2025, bringing standards in line with financial years but providing a more onerous pressure on authorities to prepare them alongside existing work.

Members approved of the suggested enhancements to brought forward when resources and capacity allows.

RESOLVED: The committee noted Internal Audit's compliance with the PSIAS (Appendix 1), QAIP (Appendix 2) and External Quality Assessment Action Plan (Appendix 3).

9 RISK MANAGEMENT UPDATE

Mr Thomas presented the report on behalf of Andrew Wood. He confirmed this has been updated following a meeting of Leadership Team on July 3rd. A new strategic risk on the withdrawal of the local plan 2040 had been added. The seven strategic risks are scored as material. The current risk appetite of the council is based on the previous strategic plan, and it has been suggested that a review of this risk appetite would be beneficial as part of the new strategic plan via a report to a future Audit Committee.

Members agreed it would be beneficial to have this review brought before the committee.

In terms of the new Government, Mr Thomas highlighted the return of multi-year settlements and replacement of the business rates as examples of opportunities and challenges going forward and the uncertainty involved.

RESOLVED: The committee noted the risk management update and received assurance on actions taking place to manage the Council's most significant strategic and project risks.

10 WORK PROGRAMME

The Chair proposed the attendance of Directors/Managers about outstanding audit recommendations in their area to help explain the situation to members. The committee agreed to allow the Chair, Vice-Chair and Principal Governance Officer to arrange this with Directors/Managers following consultation with the Audit Manager.

(The Meeting closed at 6.55 pm)

CHAIR