

**Audit Committee**  
**16 DECEMBER 2020**

Present: Councillors: Stuart Ritchie (Chairman), John Blackall (Vice-Chairman), Tony Bevis, Paul Clarke, Ruth Fletcher, Richard Landeryou and Jack Saheid

Also Present: Councillor James Wright

AAG/24 **MINUTES**

The minutes of the meeting held on 20 October were approved as an accurate record and would be signed by the Chairman at a later date.

AAG/25 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/26 **ANNOUNCEMENTS**

The Chairman announced that Councillor Paul Clarke would resign from the Audit Committee at the end of this meeting as he had been appointed as the Cabinet Member for Finance & Assets.

The Chairman and Committee thanked Councillor Paul Clarke for his work on the Audit Committee.

AAG/27 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources presented the Risk Management Quarterly Update to the Committee. The report included an update on the Corporate Risk Register for consideration and provided an update on progress with the quarterly departmental risk register reviews.

It was reported that there were six high risks:

CRR35 - COVID-19 (i) The Council is unable to deliver statutory front line services to the community due to, for example, staff shortages or unavailability of key officers. (ii) Substantial financial loss to the Council.

CRR19 - Ongoing reduction in planning fees; reduced car parking income; increased homelessness; and increased housing benefit claims; leisure centres; property income; investment income.

CRR01c - Decrease in Rateable Value due to appeals and businesses going under. This may cause the Council to fall below the business rates baseline, resulting in loss of funding.

CRR18 - (i) A malicious attacker exploits a known or unknown security weakness to penetrate the Council's ICT systems. The level of threat has been raised by the Cabinet Office to amber. (ii) IT not working due to environmental problems: fire, flood, power cut.

CRR01b - Funding from Government is less generous than assumed in the Medium-Term Financial Strategy (MTFS) from 2021.

CRR05 - Officers are either unaware of expected controls or do not comply with control procedures.

Departmental risk registers had been reviewed and updated.

The Chairman decided that CRR18 part (ii) should be removed from the risk register as these are potential environmental issues that are beyond control.

The Committee noted the contents of the report.

#### AAG/28 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor provided Members with an update on all internal audit and counter-fraud activity completed during the quarter, with a summary of all key findings. There were also updates on the progress of delivery of the annual audit plan and the performance of the internal audit service.

Overall, of the four formal audits finalised during the quarter, one received an opinion of 'reasonable assurance', two received an opinion of "partial assurance", and one received an opinion of "minimal assurance".

Formal follow-up reviews would continue to be carried out for all audits that had received 'minimal assurance' and high-risk areas that had received 'partial assurance' opinions.

Internal Audit had continued to liaise with departments to identify any new or emerging risks.

As the audit of Travel Expenses had received 'minimal assurance' a follow-up review would be undertaken in 2021/22 to ensure that the agreed actions had been implemented. The Chairman asked that HR be consulted on whether or not third-party applications could be used to record the lengths of Officer journeys and used to populate internal e-forms.

Two new reviews had been added to the audit plan: Review of Community Hubs – Covid-19 red response; and Purchase Cards, including areas of spend.

Four reviews had been deferred from the audit plan: Capitol Bar and Catering Facility; Volunteers; Hop Oast (Cultural Compliance) follow-up; and Capital Grant Funding / External Funding.

The Committee noted the contents of the report.

AAG/29 **EXTERNAL AUDIT - PROGRESS REPORT**

The External Auditors presented the Annual Audit Letter for the year ended 31 March 2020 to the Committee.

The Committee noted the contents of the letter.

AAG/30 **ANNUAL GOVERNANCE STATEMENT**

The Director of Corporate Resources presented the report.

The annual review of the Council's governance, risk management and internal control arrangements had been completed in the spring leading to the production of the Annual Governance Statement for 2019/20. This review included information and assurance gathering processes to ensure that the published Annual Governance Statement was correct as well as a review of the Council's Governance Framework against the best practice framework devised by CIPFA/SOLACE. The Annual Governance Statement was approved at the Audit Committee on 15th July 2020.

This reported reviewed progress against the action plan.

The Committee noted the contents of the report.

AAG/31 **TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS - MID-YEAR REPORT**

The Group Accountant (Technical) presented the mid-year report.

During the period the Council had complied with its legislative and regulatory requirements and the statutory borrowing limit, the Authorised Limit, was not breached.

At 30 September 2020, the Council had no external debt and its investments totalled £53.6m.

During the first half of 2020/21, the Council's cash balances were invested in accordance with the Council's treasury management strategy apart from one breach of the limit for a single local authority. Interest of £0.43m was earned on investments at an average return of 1.7%.

Treasury investment income for the full year would likely be significantly below the budget as the pandemic kept interest rates and dividend yields low. Commercial property income would also likely underperform as some tenants were affected by the pandemic.

The Committee noted the report.

AAG/32 **CAPITAL STRATEGY 2021/22**

The Group Accountant (Technical) reported that the Capital Strategy for 2021/22 remained largely unchanged except for changes to the limits for money market funds and local authorities. Limits on money market funds would increase from £30m to £50m and the limit on individual local authority would increase from £4m to £5m

The investment strategy would also remain largely unchanged apart from increases in the service loans and overall commercial property portfolio limits. The limit on service loans would increase from £1.5m to £3m and the limit on overall commercial property would increase from £60m to £70m

The increase in loan value would enable lending to the Council's own Housing Company and the overall portfolio limit increase would help to cover the development of existing assets and provide headroom for possible upward revaluations of property values.

**RESOLVED**

That the Audit Committee approve the Capital Strategy as an appropriate overarching strategy for the Council while leaving the full Council to approve the updated capital strategy that will accompany the 2021/22 budget to Council.

**RECOMMENDED TO FULL COUNCIL**

- i) that the full Council approve the Treasury Management Strategy for 2021/22 and the associated limits and specific indicators included in section 4 and appendix B of the Capital Strategy 2021/22 incorporating Investment and Treasury Management Strategy report.
- ii) that the full Council approve the Investment Strategy for 2021/22 and the associated limits and specific indicators included in section 5 and appendix C of the Capital Strategy 2021/22 incorporating Investment and Treasury Management Strategy report.

AAG/33 **URGENT BUSINESS**

There was no urgent business.

**To consider reports or appendices containing exempt or confidential information**

RESOLVED

That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following three items of business, on the grounds that they involved the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Local Government Act 1972, by virtue of paragraph 5 regarding information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

AAG/34 **APPENDIX 2 OF THE CORPORATE RISK REPORT DECEMBER 2020**

The Committee noted the contents of the appendix.

*The meeting closed at 7.11 pm having commenced at 5.30 pm*

CHAIRMAN