

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 3rd February, 2022, 4.00 pm

Councillors: Andrew Furse, Colin Blackburn, Lucy Hodge and Brian Simmons

Independent Member: John Barker

Officers in attendance: Jeff Wring (Service Director - One West), Gary Adams (Head of Financial Management) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance: none

23 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the emergency evacuation procedure.

24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Mark Elliot sent his apologies, Councillor Andy Furse chaired the meeting.

Peter Barber (Grant Thornton external auditors) sent his apologies.

25 DECLARATIONS OF INTEREST

There were none.

26 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

27 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

28 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

29 MINUTES - 15TH DECEMBER 2021

RESOLVED that the minutes of the meeting held on 15th December 2021 were confirmed and signed as a correct record.

30 EXTERNAL AUDIT - UPDATE

The Service Director – Commercial and Governance Jeff Wring presented the report in the absence of the external auditor. He stated the key message was the VFM findings which had been discussed at the last meeting. Peter Barber (Grant Thornton) had passed on that the auditors were on track to meet the deadline of

16/3/22 but there was no indication of the outcome. It was noted that at the last meeting the deadline was 28/2/22 so this had been pushed back. This point would be check with the external auditors.

He explained that at the end of the report there was a good practice guide published by the National Audit Office which would be useful reading material for members of the Committee.

He reminded the Committee that the report on procurement options would be going to Council in a few weeks' time. The recommended option was that BANES join the national procurement network.

During discussion the following issues were raised:-

- Committee members noted with concern the amount of money reported as lost on fraudulent business loans paid out directly by central government during the pandemic, despite strict criteria to follow;
- VAT could be deferred for a year so it would be interesting to see what happens next year. Member highlighted small charities had been hit when VAT returns had not been submitted on time;
- There were unintended consequences as a result of measures put in place for Covid and the public inquiry was awaited;
- The Head of Audit & Assurance confirmed that recent news articles had reported significant losses of central government issued loans through fraud e.g. bounce-back loans, however, it was pleasing to highlight that the work carried out to review Council administered business grants resulted in 'good' assurance opinions and recovery action was very low as a proportion of the grant monies distributed. The Service Director One West stated that at the time the clear government message to Councils was payments in respect of Covid should be made without delay and this may have contributed to less safeguards being put in place and an environment for fraudulent activity.

RESOLVED that the update report be noted.

31 TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

The Head of Financial Management Gary Adams presented the report. He explained that the report fulfilled a requirement to set a Treasury Management Strategy for the next financial year in line with the CIPFA Code of Practice. The strategy covers how the Council manages its' cash flow, borrowing and investments and associated risk. The Council has to operate within this framework and the strategy sets high level boundaries, although we adopt a flexible approach in day-to-day activities depending on market conditions and advisor guidance, such as counterparty and duration limits. Corporate Audit Committee is the scrutiny body for the strategy, prior to consideration and approval at the February Council and Cabinet meetings.

He outlined the following issues:-

- The economic update was fast moving - the Bank of England was trying to balance the interest rate policy with the economic recovery, GDP had reduced

in Quarter 3, inflation was above 5% with an expectation of a 0.25% increase in the bank rate, which was agreed at today's monetary policy committee meeting;

- Overall the banking sector's credit position had stabilised over the past year, with some positive move on credit ratings allowing increased investment durations to 100 days;
- The 2022/23 budget was based on rates of 0.25% for short term investments, 3.5% for the longer term strategic investments and borrowing at an average rate of 2.5%;
- Current position as at 31st December 2021 on the borrowing and investment portfolios was capital borrowing of £220m and investments of £83m;
- The borrowing strategy would continue to focus on using internal cash balances to minimise the impact on the revenue budget of holding cash in advance of need and reducing treasury risk of holding excessive investment balances;
- The Council continues to avoid borrowing activity in relation to investment assets acquired primarily for yield in line with PWLB rules;
- Last year an Environmental, Social & Governance (ESG) investment approach was incorporated into the strategy and a £5m limit was set for longer term strategic investment in ESG focussed funds, as well as investing £5m in shorter term liquidity deposits where the deposits are used to support ESG projects;
- Treasury management indicators related to borrowing limits were linked to capital programme requirements to be approved as part of the budget report, the other indicators focussed on credit ratings, liquidity and the maturity structure of borrowing and investments.

During questions the following points were raised:-

- With the longer term strategic investments the CCLA property fund return was 3.5%, with ESG strategic investments also currently expecting returns of between 3-4% (Cllr Lucy Hodge);
- The impact of the inflation increase on the Council was impacting on other services – energy contracts, social care, home to school transport – contingencies were incorporated into the 2022/23 Council budget proposal, and represent around a 5% provision (Cllr Andy Furse);
- There was a time lag of 18-24 months before the pressure fed through the system (John Barker independent member);
- In respect of the PWLB rules for borrowing for yield and using the capital estate for income, it was explained that it depended on the primary purpose of the investment and the Section 151 Officer would make a judgement (Cllr Andy Furse);
- In relation to opportunities to pay off the LOBO loans, our treasury advisors were used to negotiate a potential repayment. However, due to the penalty for early repayment and the recent movement in interest rates the repayment was not currently being pursued. The position would be kept under review dependent on interest rates and whether a saving could be achieved through repayment (Cllr Lucy Hodge);
- The capital financing requirement (CFR) is the implied borrowing requirement based on capital spending. Actual borrowing taken factors in reserves and

cash balances. It is common for Councils not to borrow up to the CFR limit and it makes sure they do not over-borrow.

RESOLVED

- 1) To recommend the proposed actions within the Treasury Management Strategy Statement (Appendix 1) to February Council; and
- 2) To note the Treasury Management Indicators detailed in Appendix 1.

32 INTERNAL AUDIT PLAN 2022/2023 - CONSULTATION

The Head of Audit & Assurance Andy Cox presented the report. He stated that the purpose of the report was to consult with Committee Members and obtain their thoughts on areas of activity for inclusion in the plan for 2022-23. The Chief Audit Executive is required each year to provide a reasonable assurance opinion based on the work carried out - how focussed the work is and on what. A 'reasonable assurance model' is used to assist in the compilation of the Audit Plan. There had been meetings with directors and senior officers to inform the plan i.e. to find out what they considered important items for inclusion. The Head of Audit Assurance then outlined areas for consideration and potential specific audits – Covid threat – Omicron additional support grants; IT security – secure configuration, user education and awareness, software asset management; financial risks - interface with the accounting system, property asset utilisation; health and safety – monitoring compliance; and homelessness – temporary accommodation.

During discussion the following issues were raised:-

- IT security was continual and so important as regards a threat to the operation of the Council (Cllr Andy Furse);
- Workforce fatigue with the significant changes to the way we work, with working from home, work on recruitment and retention, staff absence due to mental health issues (Cllr Lucy Hodge). The Head of Audit stated they were talking to the Director of People and Policy;
- Public consultation (Cllr Lucy Hodge). The Head of Audit stated as a LA we have to consult but there is a cost involved. There would be some changes to the current arrangements;
- Were there enough staff to complete audits on time and liaise with the external auditor (Cllr Brian Simmons). There was a long list of audits to complete and risk assess, these had to be prioritised in order;
- There was a potential risk for equipment as the Council had invested in laptops for employees (Cllr Colin Blackburn). The Head of Audit stated a review of IT Asset Management was currently underway.

RESOLVED

- 1) To note the areas/themes to be considered in relation to the Internal Audit Plan for 2022/23; and
- 2) To note the intention to keep the plan under review, including a formal re-assessment of the plan at the half-year point. Any changes to be reported to the Committee.

33 ANNUAL GOVERNANCE STATEMENT 2021/2022

The Head of Audit & Assurance Andy Cox presented the report which was to inform the Committee on the Governance Review process and enable members to fulfil their responsibilities associated with the publication of the Annual Governance Statement. The local code had been updated in 2018 based on CIPFA / SOLACE guidance and it is in place to help ensure that resources are directed based on council policies and priorities, good decision making and accountability for use of resources. All based on the key principles of good governance. The process for preparing the statement is informed by the reasonable assurance model and the review covers 5 key headings and work within these areas includes – the work of the audit team, service planning, financial planning, CQC and OFSTED reports, and corporate assurance work such as complaint handling and the work of Council Committees and panels.

During discussion the following comments were made:-

- CIPFA shares documents/templates and best practice is shared between other local authorities (Cllr Andy Furse);
- The governance review is informed by the work of the external auditor and Peter Barber (Grant Thornton) had indicated they would be stretched as they were last year (John Barker independent member). This would be kept under review.

RESOLVED that the report on the process of producing the Annual Governance Statement be noted.

The meeting ended at 4.55 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services