

Minutes of the Audit Committee

6 December 2021

-: Present :-

Councillor Loxton (Chairman)

Councillors Brooks, Douglas-Dunbar, Johns, Kennedy (Vice-Chair) and O'Dwyer

263. Apologies

An apology for absence was received from Councillor Hill.

264. Minutes

The Minutes of the meeting of the Audit Committee held on 5 October 2021 were confirmed as a correct record and signed by the Chairman.

265. Informing the Audit Risk Assessment for Torbay Council 2020/21

Members considered and noted the informing the audit risk assessment for Torbay Council 2020/21 report, that had been prepared by the Council's External Auditors, Grant Thornton as part of their risk assessment procedures which required them to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management:
- Fraud;
- Laws and Regulations;
- Related Parties; and
- Accounting Estimates.

The report contributes towards the effective two-way communication between the External Auditors and the Audit Committee as 'those charged with governance'.

266. Grant Thornton - The Audit Findings for Torbay Council

Members noted the Audit Findings report prepared by the Council's External Auditors, Grant Thornton which set out the observations arising from the audit that were significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice.

Paul Dossett, representing Grant Thornton advised that by the Government's Statutory deadline of September only 30% of audits were signed off increasing to 40% in November 2021. This was partly due to lack of capacity in the market and the increase in the amount of work required for external audit compared to two years ago by between 30% to 50%. Mr Dossett highlighted the key elements of the report and explained that further progress had been made since the report had been published and that they anticipated concluding the audit in the next two weeks with the final Report being issued in the New Year.

Resolved (unanimously):

That the Audit Committee receive an update on Appendix A – Action Plan – Audit of Financial Statements at a future meeting.

267. Statement of Accounts and Annual Governance Statement 2020/2021

Members considered a report that set out the Council's Statement of Accounts for 2020/21 and the Annual Governance Statement for 2020/21. Members noted that the Accounts and Audit Regulations required the Council's Statement of Accounts for the year ending 31 March 2021 to be issued before 31 July 2021 with the accounts audited by the end of September 2021. Due to resource pressures faced by the Council's External Auditors, Grant Thornton, the audit had been planned to start on 16 August 2021 but had been significantly delayed. The audit was now substantially complete and before the Audit Committee for approval.

The Committee also noted that the same Regulations, require approval of the Annual Governance statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues.

Members made observations in respect of the following areas:

- The statements about 'offers unrivalled quality of life' and 'our residents have a high level of satisfaction'.
- The level of reserves set at 5% and if this was prudent.
- The tense of the document being in the future, should this be in the present tense to say what we are doing instead of what we will do?
- Issues around waste ownership and income.
- If the valuation of the Harbour View Hotel was the latest valuation or that as of 31 March 2021.
- Significant increase in grant income and if this was as a result of Covid-19.
- Query over discount rate on page 112 if this should be 2.1 based on information in an earlier report.
- Query over wording in respect of balance sheet on page 44.

Members agreed to email the Chief Finance Officer with any further typos or minor issues they had spotted within the Statement of Accounts document.

Resolved (unanimously):

1. that the Audit Committee having reviewed the accounts including the significant accounting policies and considered the External Auditor's progress report on the Accounts, approve a) the Statement of Accounts 2020/21 and b) the Annual Governance Statement 2020/21;
2. that Audit Committee delegate to the Chief Finance Officer, in consultation with the Chairman of Audit Committee, the authorisation to make any changes to the 2020/21 Accounts arising between the date of this report and the finalisation of the external audit including the issues raised at the meeting, with any material adjustments required to the core financial statement to be presented to the Audit Committee for approval; and
3. that the Letter of Representation (attached at Appendix 1 to the submitted report) be approved.

268. Treasury Management Mid-Year Review 2021/22

Members of the Audit committee considered a report on a review of Treasury Management activities during the first part of 2021/22. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt and investment operations.

The Chief Finance Officer highlighted the following key points in the Treasury Management review:

- No new borrowing planned in 2021/22.
- Bank Rate expected to remain at 0.1% for 2021/22 (but with a risk of increase).
- Investment rate close to zero.
- Internal cash resources applied to capital funding and loan repayment.
- Cash flow influenced by MLUH and BEIS grant and funding changes.

Resolved:

That the Council be recommended to note the Treasury Management Mid-Year Review 2021/22.

269. Treasury Management Strategy 2022/23

Members considered a report on the Treasury Management Strategy, a requirement of the CIPFA Code of Practice on Treasury Management, which was adopted by the Council on 7 February 2019. The Strategy aims to support the provision of all services by the management of the Council's cash flow, debt and investment operations in 2022/23 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.

The approval of an Annual Investment Strategy by Council was a requirement of statutory guidance on Local Government Investments issued by government in

January 2018. This Strategy sets out the Council's policies for managing its investments under the priorities of security first, liquidity second and then returns. In addition, the Treasury Management Strategy gives regard to the CIFPA Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Chief Finance Officer advised that cash levels were high at the moment but that they were expected to reduce once the Council was required to repay some of the grants back to the Government. It was also anticipated that there would be a need to borrow over the next 12 months for potential housing schemes and town centre regeneration.

Members noted that the Government had launched a consultation on Minimum Revenue Provision (MRP) which indicated that loans should require MRP in the future and CIPFA guidance on the treasury management consultation due to come into force from April 2023 suggested that Local Authorities would be encouraged to work towards the changes to MRP as soon as possible. The Treasury Management Strategy for 2022/23 had taken this into account and requires full MRP on investments.

Resolved:

That the Council be recommended to approve:

1. Treasury Management Strategy for 2022/23;
2. the Prudential Indicators 2022/23; and
- 3 the Annual Minimum Revenue Provision Policy Statement for 2022/23;

as set out in the Appendices to the submitted report.

270. Decision to opt in to the national scheme for Auditor Appointments with Public Sector Audit Appointment (PSAA) as the 'Appointing Person'

The Committee considered a report on a proposal for appointing the external auditor for the Council for the 2023/24 accounts and beyond as the current arrangements only run until December 2022. The benefits of a sector-wide procurement by Public Sector Appointments (PSAA) included:

- the audit costs were likely to be lower than if the Council sought to appoint locally, as national large-scale contracts were expected to drive keener prices from the audit firms;
- without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;
- PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest much more easily than the Council; and

- supporting the sector-led body would help to ensure there was a vibrant public audit market for the benefit of the whole sector and this Council going forward into the medium and long term.

Resolved (unanimously):

That the Audit Committee recommends to Council:

That the Council accepts Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2023.

271. Exclusion of the Press and Public

Prior to consideration of the item in Minute 272 the press and public were formally excluded from the meeting on the grounds that the item involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

272. SWISCo Limited - Annual Report and Financial Statements

The Committee considered and noted the draft SWISCo Limited Annual Report and Financial Statements for the period ending 31 March 2021 following the transfer of TOR2 to SWISCo Limited from 1 July 2020. Members discussed the following issues:

- the additional investment made to SWISCo and the losses made during their first accounting period;
- pension contributions and implications;
- impact of private health care for some employees who had transferred from TOR2 and Keir Group;
- tax implications;
- how the Council could be reassured that they were delivering against their approved business plan;
- what services were covered within the legal and professional fees; and
- the Director appointments and if they would be looking to appoint independent Directors in the future.

A copy of the final SWISCo Limited accounts would be circulated to the Audit Committee once they have been signed off by the SWISCo Management Board.

Resolved (unanimously):

1. that the Audit Committee receive copies of the Management Accounts for SWISCo twice a year;
2. that the Audit Committee monitor performance against the SWISCo, TDA and TORVISTA Business Plans to ensure that they are meeting the key targets; and

3. that the Audit Committee receive a copy of the TDA Group management accounts once they are available to monitor the financial accountability of these Groups.

Chairman