TORBAY COUNCIL

Minutes of the Audit Committee

27 May 2026

-: Present :-

Councillor Penny (Chair)

Councillors Brook (Vice-Chair), Fellows and Long

Independent Person Mr Kristian Hawkes

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1. Minutes

The Minutes of the meeting of the Audit Committee held on 25 March 2026 were confirmed as a correct record and signed by the Chair.

2. Declarations of interests

No declarations of interest were made.

3. Terms of Reference

The Committee noted their Terms of Reference, which had been approved at the Adjourned Annual Council meeting held on 14 May 2026.

4. External Audit - The Audit Plan for Torbay Council

The Committee noted the report on the External Audit Plan for the 2025/2026 audit period, which was presented by Julie Masci, of Grant Thornton. The report outlined the key audit risks and significant risk areas within the financial statements, together with Value for Money considerations, progress against previous recommendations and details of the proposed audit fees.

During the discussion, Members considered progress in meeting audit timelines and the rebuilding of timely financial reporting, the continued reliance on agency staff to complete the Statement of Accounts and the need to strengthen internal capacity, and progress against previous audit recommendations. Members further noted that the only significant weakness identified in the Value for Money conclusion related to the external SEND inspection.

Members also sought an update on the Torbay Economic Development Company (TEDC) transition, including outstanding property matters affecting the closure of the company. The Director of Finance advised that there were 5 properties still within the control of TEDC preventing the full closure, once the tenancies expired, they would transfer to the Council and TEDC would be closed.

5. Internal Audit - Annual Report 2025-2026

Members noted the Internal Audit Annual Report for 2025/2026. The Deputy Head of Devon Assurance Partnership reported that the overall assurance opinion remained reasonable, that a number of limited assurance reports had been issued and that follow-up work would be undertaken in these areas.

Members discussed whether there were any common themes behind limited assurance opinions such resourcing and funding pressures, and the importance of identifying root causes.

Members attention was drawn to the audit report on the cost of Temporary Accommodation, and the complexity of funding streams. Members requested the item be added to their work programme in order to gain reassurance that recommendations were being implemented.

Members also queried the number of audit days and sought to understand how this had been determined. As part of the development of the Internal Audit Plan for 2027/2028, the Director of Finance and the Head of Devon Assurance Partnership were requested to prepare a report on the allocation of Internal Audit resources for Torbay Council.

6. Draft Annual Governance Statement 2025/2026

The Committee considered the Draft Annual Governance Statement (AGS) for 2025/2026, which set out the Council's governance framework and the extent to which it complied with the principles of good governance. The report outlined the effectiveness of governance arrangements during the year, highlighted key areas for improvement, and identified actions to further strengthen governance, transparency and accountability.

Members were advised that the Statement referenced ongoing improvement activity across the Council and the importance of embedding good governance practices within decision-making processes and partnerships.

During the discussion, Members raised concerns regarding the use of call-in waivers and emphasised the importance of transparency and appropriate Member oversight in such cases. Members also discussed governance arrangements within partnerships and sought assurance that these were sufficiently robust and clearly reflected within the Statement. Concerns were expressed regarding the tone and framing of references to Member behaviour.

Resolved:

That the draft Annual Governance Statement for 2025/2026 be agreed and included in the draft Statement of Accounts and be forwarded to the External Auditors for comment subject to the following amendments:

1. Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability, last paragraph of this section to be amended to include the overall opinion of Devon Assurance Partnership and include the number of times that Call-in has been waived;

2. The 'Conclusion', last paragraph be amended to read:

   By delivering these improvements, we will further strengthen our governance arrangements and **further** ensure that the Council remains resilient, transparent and accountable, **aiming** ~~**continuing**~~ to provide effective services and positive outcomes for the communities of Torbay; and

3. Reference to public audit standards be amended to global audit standards.

7. Treasury Management Outturn 2025/26 Report

Members considered the Treasury Management Outturn Report for 2025/2026, which provided a summary of the Council's treasury management activities for the year ended 31 March 2026, including borrowing and investment activity, performance against the approved Treasury Management Strategy, and compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and prudential indicators.

Members were advised that treasury management activity comprised the management of the Council's cash flows, borrowing and investments, with a strong emphasis on the control of financial risks, including exposure to interest rate movements and the security of invested funds. The report set out the Council's borrowing position, which continued to reflect the use of internal borrowing through the utilisation of cash balances in place of external borrowing, thereby reducing financing costs but increasing exposure to future refinancing risk.

During the discussion, Members raised queries regarding apparent inconsistencies between figures presented in Tables 2.1 and 4 of the report, particularly in relation to the number of corporate bonds held, and it was agreed that these figures would be clarified prior to consideration by Council. Members noted that corporate bond investments had performed well over the year.

Clarification was also sought regarding references to the CCLA, and Members were advised that this referred to CCLA Investment Management Ltd, which provided investment services to local authorities.

Members further explored the Council's approach to borrowing and were advised that the Council had not undertaken new external borrowing in recent years, instead utilising internal cash balances to fund capital expenditure.

Resolved:

That the Audit Committee recommend to Council:

That the Treasury Management decisions made during 2025/2026 be noted, subject to clarification of inconsistencies within Tables 2.1 and 4 of the report.

8. Annual Report - Requests to Waive Contract Procedures

The Committee noted the Annual Report on requests to waive Contract Procedure Rules. Members were advised that this was the first time such a report had been presented to the Committee, following a recommendation from External Audit to strengthen transparency and governance oversight in this area.

The report outlined the Council's Contract Procedure Rules, which govern how the Council procures goods, works and services, and explained the circumstances under which these rules may be waived. It detailed the number, nature and justification of waivers approved during the reporting period and highlighted the controls in place to ensure that waivers were used appropriately and in accordance with agreed procedures.

Members noted that the introduction of the report represented an important step in improving governance arrangements and visibility of procurement decisions. It was further noted that there had been a significant reduction in the number of waiver requests compared to previous years, reflecting improved compliance and strengthened procurement practices across the Council.

During the discussion, Members considered the extent of Member oversight in relation to waivers and were advised that decisions to approve waivers were operational in nature. Members also discussed how performance in this area could be measured and suggested that future reports include trend data to provide further context and enable ongoing monitoring.

9. Counter Fraud & Error 2025-26

The Committee noted the Counter Fraud and Error Report for 2025/2026. The report set out the activity undertaken across the year to prevent, detect and respond to fraud and error across the Council and its partnerships, structured around the recognised "five lines of defence" model.

Members were advised that good progress had been made during the year in strengthening counter-fraud arrangements. The report clarified the distinction between fraud and error to ensure greater consistency in reporting and understanding across services. It also highlighted the outcomes of proactive work, including the National Fraud Initiative, which had delivered financial savings and improved data integrity.

Specific reference was made to work undertaken in relation to single person discounts, where intelligence-led activity had generated additional revenue. The Committee also noted the findings of the resilience assessment, which indicated that counter-fraud arrangements were well embedded across the organisation and continuing to develop positively.

During the discussion, Members commended the positive progress made and the tangible financial benefits achieved. Members sought assurance regarding the follow-up of a previously issued limited assurance audit in May 2025 and were advised that this work would be revisited to ensure that identified improvements had been implemented.

10. Work Programme

The Committee considered the proposed Work Programme for 2026/2027. Members requested that a deep dive into Temporary Accommodation costs be scheduled for October.

Chair