

## **Minutes of the Audit Committee**

**23 November 2020**

**-: Present :-**

Councillor Loxton (Chairman)

Councillors Brooks, Hill, Howgate, Kennedy and O'Dwyer

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### **215. Grant Thornton - The Audit Findings for Torbay Council**

Members noted the Audit Findings Report prepared by the Council's External Auditors, Grant Thornton. Sarah Ironmonger, representing Grant Thornton informed the Committee that the Audit Findings Report presents the observations arising from the audit that are 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. Ms Ironmonger advised Members that the audit approach was based upon thorough understanding of the Council's business and risks and included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

The Audit Findings Report set out a number of significant audit risks such as Covid-19. Ms Ironmonger advised that their work was nearing completion and, subject to outstanding queries being resolved as set out in the submitted report, she anticipated being able to issue an unqualified audit opinion. Members sought clarification and reassurance from officers on the outstanding queries in particular the TDA pension pass through, the valuations of the Council's assets and legal advice in respect of the Council's Investment Strategy.

### **216. Statement of Accounts and Annual Governance Statement 2019/20**

Members considered a report that set out the Council's Statement of Accounts for 2019/20 and Annual Governance Statement for 2019/20. The Chief Finance Officer informed Members that the Accounts and Audit Regulations 2015 require the audited Council's Statement of Accounts for a year ended 31 March to be published before 31 July of that year. However linked to the disruption caused by

COVID-19 this date was extended to 31 August for 2019/20 only. The requirement in respect of approval of the Statement of Accounts was also extended until 30 November. The Council's External Auditors, Grant Thornton commenced their external audit on the 5 October and were substantially complete to enable consideration and approval by the Audit Committee.

The Chief Finance Officer also advised that the same regulations, require approval of an Annual Governance Statement to inform Members of the Council's Governance and Internal Control framework and any significant control issues.

Members sought clarification in respect of the names of some of the Council's wholly owned companies and their subsidiaries as well as classifications and definitions used when considering the Council's assets.

Resolved:

- i) That Audit Committee having reviewed the accounts including the significant accounting policies and considered the External Auditor's report and opinion on the Accounts, approve the Statement of Accounts and Annual Governance Statement 2019/20 (attached at Appendix 3 to the submitted report).
- ii) That the Audit Committee delegate to the Chief Finance Officer, in consultation with the Chair of Audit Committee, the authorisation to make any changes to the 2019/20 Accounts arising between the date of this report and the finalisation of the external audit.
- iii) The Letter of Representation (attached at appendix 1 to the submitted report) is approved.

## **217. Treasury Management Mid-Year Review 2020/21**

Members of the Audit Committee considered a report that set out a review of Treasury Management activities during the first part of 2020/21. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations.

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

- No new borrowing planned in 2020/21
- Bank Rate reduced to 0.1% in March 2020
- Investment rates close to zero with negative rates a risk
- Internal cash resources applied to capital funding and loan repayments; and
- Cash flow influenced by MHCLG and BEIS grant and funding changes.

Resolved:

That subject to 'million' being added to paragraph 12.2 and a footnote being added to Appendix 2 in respect of the names used to refer to the TDA, the Council be recommended to note the Treasury Management Mid-Year Review 2020/21.

### **218. Treasury Management Strategy 2021/22**

Members considered a report that set out The Treasury Management Strategy, the strategy aims to support the provision of all Council services by the management of the Council's cash flow, debt and investment operations in 2021/22 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.

The Chief Finance Officer informed Members that The Treasury Management Strategy is considered under a requirement of the CIPFA Code of Practice on Treasury Management which was adopted by the Council on 25 March 2010. The approval of an Annual Investment Strategy by Council is also a requirement of MHCLG Guidance on Local Government Investments issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. 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 CIPFA 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.

Members referred to social conscious pension investments and queried whether such social conscious investments should be considered in the Treasury Management Strategy.

Resolved:

That Council be recommended to approve:

- the Treasury Management Strategy for 2021/22;
- the Prudential Indicators 2021/22; and
- the Annual Minimum Revenue Provision Policy Statement for 2021/22

as set out in the Appendix to the submitted report.

### **219. Performance and Risk Strategy and Framework**

Members considered a report that proposed a new performance and risk strategy and framework for Torbay Council that relied on robust business planning and reporting across the organisation.

Through the Council's Council Re-Design Programme it had been identified that the council and its wholly owned companies (SWISCo and TDA) needed to review its approach to managing its performance and risks. Torbay Council and its wholly

owned companies are faced with a range of challenges and opportunities in continuing to provide frontline and statutory services and this strategy and framework ensures that all staff, elected members and partners are clear on how they contribute to the delivery of the outcomes in the council's Community and Corporate Plan and other key priorities.

Resolved:

That the Audit Committee recommends to Cabinet:

That Cabinet agree the adoption and implementation of the new Performance and Risk Management Strategy as set out in Appendix One of this Report.

**220. Corporate Performance and Corporate Risk Report**

Consideration of this item was deferred to an adjourned meeting of the Audit Committee on Thursday, 10 December at 1 pm.

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Chairman/woman