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AUDIT COMMITTEE - 26 September 2022

DRAFT MINUTES

Present: Councillors: Mr T Beirne (Chairman), Mr M Burnett, R Long (Vice-Chairman) and A Sandison

Officers: Olly Dodds, Steve Sparkes, Mark Wills, Adam Paterson, Tim Browne, John Robinson, Paul Johnson, Grant Paterson and James Hughes.

1. APOLOGIES

Apologies were received from David Page, Julie Coper and Neil Preece.

2. MINUTES

The minutes of the meeting held on the 25th July 2022 were unanimously approved.

3. DECLARATIONS OF INTEREST

None were declared.

4. QUESTIONS AND DEPUTATIONS

None had been received.

5. VERBAL UPDATE FROM THE EXTERNAL AUDITOR

Grant Paterson attended on behalf of the External Auditors to present a verbal update to the Committee. He informed those present that the audit sat at around 80% completion and that the full audit results would likely come to the board in November. To date their work had found no significant issues. Mr Paterson notified members that there could be a delay in the publication due to having to wait for the impact of a statutory instrument to be fully known but that this was out of the Council's control.

Questions included:

- Michael Burnett – Have there been any emerging risks that you have identified in your work since the last meeting in July?
 - Grant Paterson – The audit work focuses on last years accounts so there wouldn't be any emerging risks identified in the stream of work. The role of the auditor in assessing 'Value for Money' potentially has identified some risks such as the pay award and ongoing impact of Children's Services but conversations were ongoing with senior leaders in the Council and there had been no change to the audit plan as a result of these.

RESOLVED:

The committee unanimously noted the verbal update.

6. 2022/23 MID-YEAR TREASURY MANAGEMENT STRATEGY REVIEW

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John Robinson presented the report as set out in the agenda pack. He noted that there had been significant changes in the economy since the report was written and that things remain likely to change on a daily basis, however, reminded members that this report is about the Council's position although he noted that the emerging changes would have an impact on the Council's position.

Questions included:

- M Burnett – On p.13 there is an £8 million increase in Capital Grants. Are we likely to receive these grants?
 - J Robinson – Due to the cycle in which this report is produced we build an estimate in during the budget setting process in January, we then find out after April time if we have been successful with a number of the grant so this explains why there is an increase as we have a clearer position now as we move further into the financial year and the plan.
- M Burnett – On p.14 item 2.2 a number of new schemes have been added. Are there any more details you can give us?
 - J Robinson – It is not really for the treasury management strategy to govern capital programmes; those would go to the relevant portfolio holders for approval as we go through but there are indeed a raft of new schemes added to the capital program every year as we get new grant funding. The point you mention I believe refers to the fact we went through a procurement process for our strategic environment contract which identified that by the Council owning the vehicles it would be more cost effective. There are of course a number of other schemes on the program, it sits at around 70-80 schemes at any one time of which I don't have the details of all of them to hand but we can provide that to you if you would like it.
ACTION: John Robinson to send through the list of the capital program schemes.
- Cllr A Sandison – Why has the capital expenditure on non HRA increased £20 million.
 - J Robinson – This is again due to the additional schemes that weren't approved in January. As we move through the year and the position on grants become clearer it is not unusual to see an increase.
- Cllr A Sandison – On item 4.1 you state the Council has approved a strategy of borrowing in advance of need. Is that not quite difficult when you don't know what the future needs might be?
 - J Robinson – That is our exact policy – we don't know what the need is. The policy states you can borrow in advance of need, however, we don't because of the risk around of that. In fact we are actually borrowing £100 million short of what we need as we are using our cash balances to effectively manage the cashflow. If you look at the 10 year future programme there is a lot of uncertainty around that and borrowing around those would be risky, so we have a prudent approach where we manage in effect what we know at the moment.
- Cllr A Sandison – The interest rates have also changed since this report was written.
 - J Robinson – Yes, they have, they are rumoured to change again speculation is that they will reach as high as 6%.
- M Burnett – Are you expecting an update from your advisors (Link) on the state of the market following the uncertainty.

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- J Robinson – Yes, this week.
- Cllr R Long – Is the Council's borrowing for this year at a fixed rate?
 - J Robinson – The Council hasn't taken up any new borrowing this year, the last round of borrowing we undertook was fixed at 2.01% which is looking favourable.
- Cllr R Long – The PFI PPP Scheme is referred to as the long-term liabilities, is that primarily the schools? If so, what is the term on that?
 - J Robinson – Yes it is likely to be the historic balances from schools on the new builds. I don't know the term but would be happy to come back to you on that.

ACTION: J Robinson to confirm the length of the term.

Decision Recommended:

The Committee is asked to recommend that Council approves the revised forecasts for the 2022/23 Capital Financing Requirement of £490.060 million, Authorised Limit of £510.194 million and to note the Operational Boundary and treasury activity to date.

RESOLVED:

The Committee unanimously agreed to recommend that Council approves the revised forecasts for the 2022/23 Capital Financing Requirement of £490.060 million, Authorised Limit of £510.194 million and noted the Operational Boundary and treasury activity to date.

7. MONITORING REPORT – INTERNAL AUDIT

Steve Sparkes presented the report as set out in the agenda pack. He drew attention to the Internal Work which had identified 'Warning Markers Draft' as a Level 5 (No assurance) and that in line with the committee's wishes a full report would be produced and presented for the next meeting. He also highlighted item 10 in the monitoring report and reassured members that the Counter Fraud strategy is being produced and will be presented to the committee when complete.

Questions Included:

- Cllr R Long – On Item 3 (Table 1) is it possible that we could have the previous outcome of the last audit work undertaken so we can track progress or lack of?
 - S Spares – Yes.
ACTION: Steve Sparkes to amend the report in future reporting to reflect the last audit work outcome.
- Cllr R Long – When do you expect the 'SEND and Educational Placements Follow Up' work to be completed?
 - S Sparkes – In the next few months.
- Cllr A Sandison – Why is the 'Monkspath Junior and Infant School' scored a Level 3 (Moderate Assurance)? That seems high.
 - S Sparkes – This tends to be because the systems they have in place are fine but there are instances where they aren't being followed fully.

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This is the same for the 'SCH Safeguarding' report. If you would like the full audit reports then I am happy to share them with members.

- Cllr A Sandison – What are warning markers?
 - S Sparkes – This help to flag with auditors what they may need to look out for.
- Cllr A Sandison – On the broader issue of fraud – do we take legal action?
 - S Sparkes – If we can then yes, we will. The fraud case mentioned in the report is hard to trace back to an individual as they have multiple bank accounts. In this case the trail has bounced from the U.K. to America and Nigeria.
- M Burnett – On Item 3 (Table 1) 'Town Centre Developments (Consultancy)' will this work include a review of the partner allocation?
 - S Sparkes – The decision is a management decision, but we do give advice on the process to ensure it is as compliant and risk is minimised as possible.
- M Burnett – Will there be a review of the waste contract as it is in the early stages?
 - O Dodds – Yes this is planned for Quarter 4 (Post Christmas).

Decision recommended

The Audit Committee is asked to note the work of Internal Audit and review this information, identifying any areas where the Audit Committee wishes to receive further information or explanation from Internal Audit and/or management.

RESOLVED:

The Audit Committee unanimously noted the work of Internal Audit and reviewed the information, identified any areas where the Audit Committee wishes to receive further information or explanation from Internal Audit and/or management.

8. EXCLUSION OF THE PUBLIC AND PRESS

The Chair advised that there had been an error in the system that had originally restricted the entirety of Item 9, however it was only Appendix D that had been excluded from the public and press. Therefore, the committee would consider Item 9 (Report and Appendices A-C) in public and any questions on Item 9 Appendix D would be withheld for the private session.

Decision Recommended:

That the press and public be now excluded from the remainder of the business to be transacted, on the grounds that there would be disclosure to them of exempt information as defined in Schedule 12A to the Local Government Act 1972.

RESOLVED:

The Committee unanimously agreed that the press and public be now excluded from the remainder of the business to be transacted, on the grounds that there would be disclosure to them of exempt information as defined in Schedule 12A to the Local Government Act 1972.

9. RISK MANAGEMENT INFORMATION REPORT

10. RISK MANAGEMENT INFORMATION REPORT - PUBLIC

Mark Wills presented the report as set out in the agenda pack.

Questions included:

- Tony Beirne – On p.37 there seem to be a lot of measures being taken to mitigate the risk, but we aren't seeing the risk reduce from red. Is it possible to have a narrative report setting out in some more detail what the aspirations and timescales are as well as when we will start to see the risk move down? Can we also have the same for the risk identified on p.38?
 - P Johnson – The committee have previously asked for a report on these matters, that was produced and presented at the last meeting in July. The minutes of the meeting that you have approved today stated “*The Committee unanimously considered the information provided in the report and determined that no further information or updates on the issues in the report were needed.*” But that doesn't seem to have captured accurately the flavour of what everybody is saying and wondered whether we need a half yearly on these significant matters so that the committee get regular review of these key items that you have identified.
 - T Beirne – I noted when I received the pack that there is a lot of work ongoing, and that organisational change doesn't happen overnight. I will take advice from the committee, but I am wondering if something quarterly, that is more narrative would keep us better in the loop. The Risk Management report is great but is more factual and when the officers come to speak to us it is more contextual.
ACTION: Democratic Services to work with Officers to ensure a quarterly narrative report is produced on; Overall Financial Position, Childrens Services Position and Adult Health and Social Care Position.
 - M Burnett – Is it possible to see emerging risks added to the report?
 - This report only focuses on corporate risks as it is the corporate risks that fall under the purview of the Audit Committee. We can look at how we could potentially build in emerging risks, Appendix C has been an ongoing process where we have tried to build something to allow the committee to review the risks. The other point I would refer to is that the column which identifies the action status should go some way to identifying if progress is being made on managing the risks and we will go away and look at how we can make that clearer for the committee so that in conjunction with the proposed narrative report it is clear what progress is being made on the most serious risks.
ACTION: M Wills to review the format of the action status column to see if more detail can be added.
- Tony Beirne - David Page has asked me to ask on his behalf whether all Council bodies are now following the Council's process for safeguarding checks?
 - Tim Browne – I am not aware of any bodies that aren't following the process. There are regular audits undertaken to ensure that the process is being followed.

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- Cllr A Sandison – It is disappointing to see that the net number of risks in Childrens Services has increased despite the number of measures the Council has taken.
 - T Browne – The number has increased but that is because we have

Decision recommended

The Audit Committee are asked to consider the information provided in this report and determine whether any further action is needed in respect of the identified corporate risks.

RESOLVED:

The Audit Committee considered the information provided in the report and determined that it wished to have a quarterly report to provide more narrative on some of the larger risks.

11. SOLIHULL MUSIC AUDIT UPDATE - SEPTEMBER 2022

3.09 pm