

AUDIT COMMITTEE

20th JUNE 2022

MINUTES

Present Councillors: Mr T Beirne (Chairman), Mr M Burnett, Mr D Page,
Councillor R Long

Officers P Johnson: Director of Resources and Deputy Chief Executive
J Robinson: Treasury and Corporate Accountant
S Sparkes: Head of Audit
M Wills: Health: Safety & Risk Manager
A Patterson: Accountancy
N Preece: External Auditor
O Dodds: Audit Manager
P Rogers: Democratic Services

1. CONFIRMATION OF ELECTION OF CHAIRMAN AND VICE CHAIRMAN 2022/23

Mr T Beirne and Councillor R Long were confirmed unanimously as Chairman and Vice Chairman respectively for the Audit Committee for the 2022/23 municipal year.

2. APOLOGIES

No apologies were received.

3. DECLARATIONS OF PECUNIARY OR CONFLICTS OF INTEREST

No questions or deputations were received.

4. QUESTIONS AND DEPUTATIONS

No questions or deputations were received.

5. MINUTES

The Audit Committee:

RESOLVED:

To agree the Minutes arising from the Audit Committee meeting held on 14 March 2022 as a true record.

6. VERBAL UPDATE FROM THE EXTERNAL AUDITOR

The External Auditor reported the following matters:

- Final accounts were due to be provided by the end of July 2022, but had already been provided.
- The signing off of statutory requirements was required by the end of November 2022.

AUDIT COMMITTEE

Following receipt of the verbal update from the External Auditor, the Audit Committee:

RESOLVED:

To note the External Auditor's verbal update.

7. INFORMING THE AUDIT RISK ASSESSMENT FOR SMBC 2021/22

The report before the Audit Committee addressed important areas of the auditor risk assessment where the external auditors are required to make enquiries of the Council under auditing standards.

The External Auditor stated that the exercise was helpful in contributing towards the Audit Plan. The audit standards required questions to be asked to demonstrate the Council had appropriate control systems in place. No significant concerns were raised by the external auditor as systems compliance had been generally assured and the responses were consistent with past years.

The External Auditor highlighted the requirements of the risk assessment procedures undertaken, with specific regard to gaining an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Going Concern
- Accounting Estimates

The Director of Resources and Deputy Chief Executive stated that the Annual Audit Risk Assessment Report was a useful means for identifying any potential key internal control gaps that needed to be addressed.

Following questions raised by Members of the Audit Committee in relation to the report, the External Auditor confirmed that:

- The Council's Medium Term Financial Strategy (MTFS) formed a key component of the Council's Value for Money work. The current rate of inflation could not have been predicted at the time the MTFS was drafted in December 2021 and, therefore, the role of the external auditor was to assess whether the projections made at that point in time were fair.
- The range of the Council's non-statutory services means that the statutory services are not currently at risk. Non-statutory services would be looked at first for any budget reductions.
- In respect of new procurement legislation following Brexit, the Council's procurement strategy was embedded and appropriate.

AUDIT COMMITTEE

- The Council's facilitation of on-line learning and development opportunities for its employees over the past 2 years has proven to be beneficial, with all such training and development recorded and monitored. Since the advent of Covid-19, facilitation of on-line learning and training by employers has become a significant trend.
- The External Auditors relationship to the Risk Register is one whereby the Risk Register is recognised as belonging to the Council, but is subject to review by the External Auditor. The Risk Register was also used to inform VfM work.

Having considered the report, the Audit Committee:

RESOLVED:

- (i) To note the External Auditor's verbal update; and,
- (ii) To receive updates on the following matters at the Audit Committee meeting scheduled for 25th July 2022:
 - Serious Case Review (Children's Services)
 - Liquid Logic Programme
 - Mell Square Development

8. SOLIHULL METROPOLITAN BOROUGH COUNCIL AUDIT PLAN

The External Auditor introduced the report, informing the Committee that it detailed the approach to delivering the audit of the Financial Statements for 2021/22 and also key VFM risks. Key matters highlighted as having an impact on audit arrangements were MTFs risks, Children's Services and Mell Square.

The Committee was informed that the report reflected standard, professional auditing language. *Presumed Significant Risks* related to any fraudulent revenue transactions and fraudulent expenditure, with the terminology largely driven by the private sector. Although no such specific risks had been identified in the Council's case, auditing guidelines require the External Auditor to assume that these risks exist.

In respect of *Management Over-Ride of Controls*, this cannot be rebutted, with the onus on audit to prove that this was not the case, which was mainly done via reviewing Journals and the Ledger. Estimates made by Officers were also subject to audit review i.e. were they reasonable and appropriate estimates and judgements. The Audit Committee was advised that historically, no such concerns had been found.

AUDIT COMMITTEE

The Audit Committee was advised that *Valuation of the Pension Fund Net Liability* was a risk specific to all Local Authorities, which recognised the size of the pension fund liability and potential future swings in this area. The audit opinion also took account of the work undertaken by the Actuaries and the WMCA Pension Fund in this field. Any changes can equate to hundreds of millions of pounds based on the Actuaries assumptions.

Non-Current Assets related to land, equipment and buildings, which in the Council's case amounted to over £500M.

Investment Properties had a value of £17.5M, relating to properties held to generate income or for commercial reasons.

Infrastructure Assets related to roads, buildings etc.

Acquisition of Mell Square is a new category.

Materiality in essence assessed how wrong the Council's accounts would have to be before a reader of the accounts would form a different view on the accounts. For the Council, this figure was £8M.

In response to Audit Committee Members questions arising from the presentation, the Committee was informed that:

- The External Auditors were informed directly by the Council of the impending purchase of Mell Square and had been provided with all of the reports submitted to Cabinet on the purchase details. It was not, however, the External Auditors role to pass judgement on Council policy decisions.
- The purchase of Mell Square was approved in March 2021 and was acquired in April 2021. It had been funded by borrowing at a fixed rate of 2.01%.
- The External Auditors had reviewed the Council's planned reserves and the MTFS over a 3-year period.
- Contract management for the new Environmental Services Contract would be reviewed as part of the future Internal Audit Work Plan.

The Audit Committee:

RESOLVED:

To note the report.

9. TREASURY MANAGEMENT OUTTURN REPORT 2021/22

AUDIT COMMITTEE

The report provided an annual report on the 2021/22 treasury management activities as required by the CIPFA Code of Practice on Treasury Management.

The Audit Committee:

RESOLVED:

To Agree to **RECOMMEND** that Council approves the Treasury Management Outturn Report 2021/22, attached at Appendix A to the report.

10. RISK MANAGEMENT INFORMATION REPORT

The Health, Safety & Risk Manager informed the Audit Committee that the Council operated a documented risk management policy, which monitored the effective development and operation of risk management and also considered compliance with Risk Management policy and procedure.

Members attention was drawn to Appendix D: Corporate Risk Register. The format of the Risk Register had been reviewed and revised to include key risk categories as well as linking risks to the Council's Corporate Priorities and detailing a designated Officer responsible for managing specific risks within their respective directorates. The Risk Register was regularly reviewed and updated.

The Audit Committee:

RESOLVED:

To note the report.

11. EXCLUSION OF THE PRESS AND PUBLIC

The meeting was not open to the public during discussion of the following items because the report contained exempt information as defined in Schedule 12A to the Local Government Act 1972.

12. MINUTES

The Audit Committee:

RESOLVED:

To agree the Private Minutes arising from the Audit Committee meeting held on 14th March 2022 as a true record.

13. RISK MANAGEMENT INFORMATION: APPENDIX D

The Audit Committee:

AUDIT COMMITTEE

RESOLVED:

To note Appendix D: Corporate Risk Register.

The Audit Committee meeting closed at 11:07 a.m.