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## AUDIT COMMITTEE

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**MINUTES** of the Virtual Meeting held Via Skype on Wednesday, 25 November 2020 from 7.00 - 8.03 pm.

**PRESENT:** Councillors Derek Carnell, Simon Clark (Chairman), Simon Fowle, James Hall (Vice-Chairman), Ann Hampshire, Nicholas Hampshire, Denise Knights, Peter Macdonald and Julian Saunders.

**OFFICERS PRESENT:** Alison Blake, Rich Clarke, Trevor Greenlee, Kellie MacKenzie, Ryan Miles, Nick Vickers, Darren J Wells and Phil Wilson.

Trevor Greenlee and Darren J Wells (Grant Thornton).

**ALSO IN ATTENDANCE:** Councillors Cameron Beart, Steve Davey, Tim Gibson, Carole Jackson, Elliott Jayes, Hannah Perkin and Ken Rowles.

### 271 INTRODUCTION

The Chairman explained that the meeting would be conducted in accordance with the Local Authorities and Police and Crime Panel (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 No. 392.

In welcoming all Members and members of the public, the Chairman explained which Swale Borough Council officers were in attendance. The Chairman also welcomed Trevor Greenlee and Darren Wells from Grant Thornton.

### 272 MINUTES

The Minutes of the Meeting held on 30 September 2020 (Minute Nos. 140 – 149) were taken as read, approved and signed by the Chairman as a correct record.

### 273 DECLARATIONS OF INTEREST

No interests were declared.

#### **Part A Minute for recommendation to Council**

### 274 MID-YEAR TREASURY MANAGEMENT REVIEW FOR 2020/21

The Chief Financial Officer introduced the report which set-out the outturn position on treasury management transactions 2020/21, including compliance with treasury limits and Prudential and Treasury Performance Indicators. He explained that the half-year annual reports were being reported slightly later than usual due to the impact of the Covid-19 pandemic. The report would be considered by Council on 6 January 2021.

The Chief Financial Officer advised that there were no issues of concern or breaches of treasury management practice to report. He drew attention to

Appendix I of the report (Investments and Borrowing as at 30 September 2020, and reported that the Council's short-term borrowing was at an extremely low rate of interest, at 0.1%. He drew attention to paragraphs 2.10 and 2.11 of the report which showed that the Council had achieved an average sum invested of £41.1m compared with an original budget of £26m and an average rate of return of 0.43% which was 0.33% above the average Bank of England Base Rate.

The Chief Financial Officer reported that the Council was achieving little return from the State Street Global Advisors Money Market Fund but the Church Charities and Local Authorities Property Fund income return was holding-up pretty well.

The Chairman invited Members to ask questions.

In response to a Member's question, the Chief Financial Officer advised that the £41.1m figure was higher than budgeted for largely due to receipt of Government grants.

A Member asked what the shortfall on investment income was likely to be? The Chief Financial Officer reported that the financial management report going to Cabinet on 16 December 2020 showed a £60k shortfall on investment income.

In response to queries from a Member, the Chief Financial Officer advised that the £20m borrowing was for Sittingbourne Town Centre regeneration and that the Council was not setting-up a property company but a Local Housing Company. He further advised that approval was required from Cabinet to set-aside funding for projects and the Council set its own internal borrowing limits. Local Authorities would no longer be able to borrow to fund investment in commercial property and the cost of borrowing for the Rainbow Housing Company would not come from the taxpayer, but the tenants or the company.

A Member asked whether officers thought that the Council would be reliant on its own reserves to cover the cost of the Covid-19 pandemic? The Chief Financial Officer stated that was a budgetary position question and that the budget for 2021/22 would be considered by Cabinet at their meeting on 16 December 2020.

***Recommended:***

- (1) That the performance information be noted.***
- (2) That the prudential and treasury management indicators within the report be approved.***

**Part B Minutes for information**

**275 ANNUAL FINANCIAL REPORT 2019/20 AND AUDIT FINDINGS REPORT**

The Chairman advised Members that there had been a delay in presenting two of the appendices to Members which was due to the impact of the Covid-19 pandemic and its impact on working practices.

The Financial Services Manager introduced the report which sought the Audit Committee's approval of the Council's Annual Financial Report for 2019/20 and included the external auditor's Audit Findings Report for consideration.

The Financial Services Manager referred Members to Appendix III, Annual Financial Report for the year ended 31 March 2020. He explained that the Annual Accounts showed the Council finances in accordance with accounting regulations. He drew Members' attention to the significant items in the Expenditure and Funding Analysis; the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement.

Mr Darren Wells (Grant Thornton), introduced Appendix I, their audit findings for Swale Borough Council (SBC). Mr Wells spoke about the impact of the Covid-19 pandemic which had affected the normal working arrangements of the Council and the additional responsibilities the Council had been required to take. Mr Wells reported that it was their opinion that the Council's financial statements provided by the Council were of a high standard. He thanked the Council's finance team for their excellent cooperation and also on being able to complete the financial statements prior to the 30 November 2020 deadline.

Mr Wells drew attention to page 4 of the report, which highlighted some issues in respect of the Council's property, plant and equipment (PPE) and investment properties. He explained that the issues raised did not affect the audit opinion. Mr Wells reported that the Covid-19 pandemic would impact on the Council's income levels, as it would all local authorities in the country, however they considered that the Council did have appropriate measures in place to cover this and they had no concerns in that respect.

A Member asked how SBC compared to other local authorities in terms of their financial arrangements. Mr Wells reported that 30% to 40% of local authorities would not be able to finalise their accounts before the 30 November 2020 deadline, so SBC were in a strong position.

In response to questions from a Member, Mr Wells reported that the impairment allowance for debtors had not been adjusted to take account of the pandemic and he drew attention to the Action Plan on page 27 of the report and the recommendation in respect of debtors. The Financial Services Manager drew attention to the financial management reports to Cabinet which included the impact of the Covid-19 pandemic on debtors, and said that they would continue to monitor the situation.

A Member asked if the external auditors had any concerns about the future finances of the Council? Mr Wells explained that with regard to PPE, they were not suggesting an error or problem with regard to the valuations, but it was difficult for professionals to give accurate valuations given the uncertain times but that applied to all local authorities not just SBC.

**Resolved:**

- (1) That the external auditor's Audit Findings Report (Appendix I) be noted;**
- (2) That the Letter of Representation (Appendix II) on behalf of the Council be approved.**

- (3) That the Annual Financial Report for the year ended 31 March 2020 including the Annual Governance Statement (Appendix III) including the adjustments set-out in the Audit Findings Report be approved.**
- (4) That the Chairman of Audit Committee signs and dates the Annual Financial Report for the year ended 31 March 2020.**

## 276 INTERIM INTERNAL AUDIT & ASSURANCE REPORT 2020/21

The Head of Audit Partnership introduced the report which provided an update on progress so far towards completing the 2020/21 Internal Audit & Assurance Plan. The report also provided the updated information required by Audit Standards including an assessment of available audit time, results of audit work and commentary on performance of the audit services.

The Head of Audit Partnership reported that they continued to conform with the Standards and the Code of Ethics and continued to be able to have complete access to officers and records of the Council. In his opinion, management were not taking any risks which were unacceptable to the authority. The Head of Audit Partnership referred to Appendix I (Interim Internal Audit & Assurance Report) of the report and highlighted progress on the Audit Plan for Members. He drew attention to page 119 of the appendix which set-out the current position in relation to agreed key actions.

The Head of Audit Partnership referred Members to page 120 of the appendix which set-out progress on the recommendations identified by the External Quality Assessment, and expected that all the actions highlighted would be completed by spring 2021.

The Head of Audit Partnership spoke about the assurance ratings consultation they would be undertaking as part of the external quality assessment. He advised that they would shortly be circulating a survey to consult stakeholders and Members. He stated that the link to the survey would be sent to Audit Committee Members. The results of the consultation would be reported to Members in spring 2021.

The Chairman thanked officers from SBC and Grant Thornton for their hard work in producing the reports for the meeting.

### ***Resolved:***

- (1) That the progress against the 2020/21 Internal Audit and Assurance Plan and findings so far be noted.**

### Chairman

Copies of this document are available on the Council website <http://www.swale.gov.uk/dso/>. If you would like hard copies or alternative versions (i.e. large print, audio, different language) we will do our best to accommodate your request please contact Swale Borough Council at Swale House, East Street,

Sittingbourne, Kent, ME10 3HT or telephone the Customer Service Centre 01795 417850.

All Minutes are draft until agreed at the next meeting of the Committee/Panel