

AUDIT COMMITTEE

Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,

on Monday, 31st January, 2022 at 7.00 pm

Present: Councillor David Walters in the Chair;

Councillors John Baird, Jim Blagden,
Kevin Rostance and Dave Shaw.

Apologies for Absence: Councillors Will Bostock and Christian Chapman.

Officers Present: Bev Bull, Lynn Cain, Ruth Dennis and
Peter Hudson.

In Attendance: Hannah McDonald and Mandy Marples (CMAP).

AC.18 Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests

No declarations of interest were made.

AC.19 Minutes

RESOLVED

that the minutes of the meeting of the Committee held on 18 October 2021,
be received and approved as a correct record.

AC.20 Mazars: Follow Up Letter - Audit Completion Report for Ashfield District Council

The Corporate Finance Manager (and Section 151 Officer) presented the
Follow Up Letter to Committee and advised that all outstanding matters were
now complete.

In relation to the audit of Property, Plant and Equipment, the local Audit Team
had identified two internal control recommendations that needed to be brought
to the attention of Members and these were in relation to the following:

Medium Deficiencies in Internal Control

1. A difference had been identified between source records maintained by the
Council and the Valuer in relation to floor areas that has led to a
misstatement in the value of land and buildings. It was agreed that the
Council needed to ensure that accurate records were maintained for all
assets and an annual reconciliation between base data and information
provided by the Valuer was carried out.

2. A few instances had been identified where there had been no clear audit trail regarding source evidence and calculations used within the Property Beacon valuation approach. It was agreed that the Council should ensure that working papers are kept up to date and that there is a clear audit trail available.

In relation to the Value for Money conclusion, this was not available at the present time but was on course to be given by the deadline date of 30 March 2022. Work carried out to date had not identified any problems.

RESOLVED

that the Follow Up Letter from Mazars outlining the conclusion of pending matters for the year ended 31 March 2021, as presented, be received and noted.

AC.21 Appointment of External Auditors from 2023/24

The Corporate Finance Manager (and Section 151 Officer) outlined the proposals for appointing an external auditor to the Council, for the accounts for the five-year period from 2023/2024.

Public Sector Audit Appointments (PSAA) were now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies continued to have the option to arrange their own procurement and make the appointment themselves (or in conjunction with other bodies), or they could join the national collective scheme administered by the PSAA.

RESOLVED

that Council be recommended to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

AC.22 Capital Strategy 2022/23

The Chief Accountant presented the refreshed and updated Capital Strategy for 2022/23. Changes made to Annexes 1 and 2 were presented and Members were asked to note that the Commercial Investment Property indicators (Annex 2) had been recalculated for the actual 2020/21 performance, the latest forecast for 2021/22 and the latest estimates for 2022/23 onwards.

CIPFA had issued a revised Prudential Code in December 2021 that stated that authorities "must not borrow to invest primarily for financial return". It was acknowledged that these recent changes to the Code aligned to the Council's earlier decision to remove any further investment property purchases from its Capital Programme and Capital Strategy from 2021/22.

RESOLVED that

- a) the content of the Capital Strategy for 2022/23 including Annexes 1-3, be received and noted;
- b) Cabinet be recommended to approve the:
 - Capital Strategy
 - Commercial Property Investment Strategy; and
 - Commercial Property Indicators.

AC.23 Treasury Management Strategy (TMS)

The Chief Accountant presented the report and asked Committee to consider the Treasury Management Strategy for the 2022/23 financial year, as presented and to note the changes as follows:

Annual Investment Strategy

Members were advised that the minimum sovereign country credit rating had been reduced from AAA to AA+ and Pooled Funds had been added to types of investments the Council can use.

Operational Boundary and Authorised Limits

The proposed Operational Boundary had been set at a level slightly above the Capital Financing Requirement (CFR) to allow for working capital requirements. The rationale for doing this was to ensure that the Council's capital programme could still be financed should the expected non borrowing funding not become available.

Minimum Revenue Provision (MRP) Policy

Consultation was currently being undertaken (ending on 8 February 2022) regarding the Department for Levelling Up, Housing & Communities (DLUHC) Statutory Minimum Revenue Provision Guidance. If the proposals remained to prohibit capital receipts being used to replace MRP charges in year, then this would require a change to the MRP policy. Any changes to the Policy would be reported through the Committee as required.

Prudential Indicators

A new indicator had been included which showed the ratio of financing cost to net revenue stream including investment property income. The indicator showed the positive effect that the Council's investment properties currently make to the Authority.

Revised CIPFA Code

CIPFA had issued a revised Treasury Management Code in December 2021, with the new Code becoming effective from 2023/24.

RESOLVED that

- a) the content of the Treasury Management Strategy (TMS) for 2022/23, including the changes to the Annual Investment Strategy, be received and noted;

b) Cabinet be recommended to approve the Treasury Management Policy Statement incorporating:

- Treasury Management Strategy Statement (TMSS)
- Borrowing Strategy
- Annual Investment Strategy
- Minimum Revenue Provision (MRP) Policy;
- Prudential Indicators and Treasury Management Indicators
- Treasury Management Practices: Risk Management.

AC.24 Audit Progress Report

Mandy Marples, CMAP Audit Manager, presented the report and summarised audit progress as of 19 January 2022.

Members were asked to note one change to the plan. A 'People Management' Audit had been planned to review the Council's system for administering Annual Leave but the Council had experienced difficulties getting all employees onto a new system. It had therefore been removed from the plan and some further work on the Risk Management Audit that is currently underway had been undertaken.

Four pieces of work had been finalised since the last meeting and three had received reasonable assurances:

Debtors

Selective Licensing

IT Key Controls 2021-22

Homes England Grant Certification (assurance rating not applicable).

Members also received an update in relation to outstanding recommendations and were advised that a revised completion date of 28 February 2022 (in relation to the Depot Investigation and the Medium Term Financial Plan), had been agreed since publication of the progress report.

To conclude, Committee were asked to note that the Director of Resources and Business Transformation would be submitting a written update to the next meeting, to advise Members on progress regarding the ICT Asset Inventory update.

RESOLVED

that audit assignment progress as of 19 January 2022, as presented to Committee, be received and noted.

**AC.25 Section 100A Local Government Act 1972:
Exclusion of the Press and Public**

RESOLVED

that in accordance with the provisions of Section 100A of the Local Government Act 1972, the press and public be now excluded from the meeting during the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and in respect of which the Proper Officer considers the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**AC.26 Investment Property Performance 2021/22 as at 30 December 2021;
(Exempt by virtue of Paragraph 3)**

The Council's Chief Accountant gave Members an update regarding performance and monitoring of the Council's Commercial and Investment Property portfolio as at 31 December 2021.

RESOLVED

that performance in relation to the Council's Commercial and Investment Property portfolio as at 31 December 2021, as presented, be received and noted.

The meeting closed at 7.47 pm

Chairman.