

## **Minutes of the Audit Committee**

**13 December 2023**

**-: Present :-**

Councillor Penny (Chairman)

Councillors Fellows, Hutchings, Long and Maddison

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### **9. Apologies**

Following the decision by Council on 7 December 2023 in respect of political balance, it was reported that the membership of the Audit Committee had been amended by including Councillor Maddison, Prosper Torbay instead of Councillor Bryant, Conservative Group.

Apologies for absence were received from Councillor Brook and Steve Darling.

### **10. Minutes**

The Minutes of the meeting of the Audit Committee held on 26 July 2023 were confirmed as a correct record and signed by the Chairman.

### **11. Torbay Council Audit Progress Report and Sector Update**

Members considered a report that provided an update on progress made by the Council's External Auditors, Grant Thornton, in delivering their responsibilities.

The Audit Manager for Grant Thornton explained that it had been hoped that the 2021/2022 audits of the Statement of Accounts would have been completed this year. Unfortunately, this was not the case, there had been progress and a team had been established and were on site. There had been good progress made on property assets, the main difficulty was the working papers, these papers had been prepared over a year ago by officers who were no longer working for the authority. Therefore, officers were having to try and follow through the processes and reasoning contained in working papers they hadn't prepared which then needed to correspond with the ledger. It was questionable whether officers needed to re-do the working papers in order for Grant Thornton to be able to issue an unqualified opinion. Staff capacity was an issue and officers have been working very hard and fully engaged with the process but were being hampered because of having no involvement with the historical audit.

Members challenged whether the issues reconciling the working papers with the ledger was because of process or presentation. The Audit Manager for Grant Thornton advised that the presentation of the accounts was very technical, but they must be clear about the mapping it was not just about income but where the income

came from and what it was for. The Director of Finance questioned whether redoing working papers for a set of accounts that had been completed a few years ago was a reasonable use of resources or whether the government backstop was a suitable solution in order for officers to focus on current work pressures and the production of current, and future, Council Accounts.

Resolved:

That the Director of Finance continue to work with officers of Grant Thornton to discuss and work towards an unqualified opinion by January 2024 and consider whether the government backstop is a viable option.

## **12. SWISCO Limited Company Statutory Accounts - Year ended 31 March 2023 Briefing Paper**

Members noted a report that set out the statutory accounts for SWISCO Limited. Members were informed that SWISCO Limited was a wholly owned company of the Council, there was no expectation to a make profit but that the company covers its costs. SWISCO Limited had problems initially due to the legacy impacts of TOR2. The Finance Manager advised Members that 2022 was the first time SWISCO Limited was in a stable position, however there were challenges during 2022/2023 with labour and cost inflation. The price of recyclates had plummeted thereby affecting the price that SWISCO was achieving for these materials. The Finance Manager explained to Members the reason that the positives weren't obvious in the accounts was due to the pension liability. SWISCO Limited actually made a £29,000 profit, which in financial terms was really good progress.

The statutory accounts, which under accounting standards have to show the impact of changes in the valuation of the Local Government Pension Fund, and the impact of accounting for leased fleet vehicles in both the Council's and the company's balance sheets. The effects on profit of the latter two adjustments meant that the statutory return showed a loss of £837,000; the balance sheet had improved from a negative position of £11.5m to a small positive as a result of the actuarial valuation of the Pension Fund at 31 March 2023. These were accounting entries and did not reflect the actual operating position of the company.

Members sought clarification on:

- what contributed to SWISCO Limited's income;
- what was meant by 'total compensation made to key personnel'; and
- what action had SWISCO Limited Board of Directors taken as a result of the audit.

## **13. Treasury Management Mid - Year Review 2023/24**

Members considered a report that reviewed Treasury Management activities during the first part of 2023/24. Members were advised that the Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations. Members attention was drawn to the following:

- Interest rates had risen steadily with Bank Rate reaching 5.25% in August 2023;
- Gilt yields and therefore PWLB rates were around 1% higher than those at the start of the year;
- No new borrowing had been undertaken and internal resources used to fund capital expenditure;
- A proportion of cash balances had been locked into longer duration deposits at peak rates;
- Early repayment of an element of the debt portfolio was made after the period covered by the submitted report; and
- All decisions complied fully with the adopted principles and the Council's approved Treasury Management Strategy.

Members explored the reason for repaying an element of the debt portfolio and sought reassurance regarding the ethics of those the Council had invested funds with.

#### **14. Collection of Council Tax and NNDR**

At the meeting of the Audit Committee on 26 July 2023 concerns were raised regarding the collection of Council Tax, Non-Domestic Rates and corporate debt. In response the Director of Finance was asked to provide a report that set out the proposed mitigation, progress in implementing the required changes as a result of the Internal Audit and corresponding key performance indicators. The Director of Finance informed Members that following the implementation of a specific work project to clear the backlog of Council Tax processing, including commissioning external support, the current processing time for Council Tax was now in the region of 8 weeks, down from a peak of 26 weeks.

Members requested a brief update at each meeting in order to continue monitoring progress and asked for a separate breakdown of those in Council Tax arrears whilst in receipt of Council Tax Support. Members sought further clarification regarding the collection and write off of debt.

#### **15. Risk Management Update**

Members noted a report that provided an update on the council's current risk position and made them aware of any notable information with regards to the council's overall risk management arrangements. The Performance and Risk Manager advised Members that at present the Council had eight strategic risks and 59 corporate risks. Significant work had been undertaken with SWISCo, a wholly owned company of the Council, to establish a risk register at present two strategic risks and 17 corporate risks had been identified. Members attention was also drawn to two emerging risks, the use of artificial intelligence and the safe transfer of the Torbay Economic Development Company, a wholly owned company, to the Council.

Members questioned:

- Whether officers considered risk to be integral to their job or in addition to their job;

- The risk scores for the economy having been high for a while, what was being done with the information and whether any action was being taken to review continuously high risk scores;
- The mitigation being undertaken to address the risks identified in the risk form in respect of the Safe Transfer of the Torbay Economic Development Company to the Council;
- Artificial intelligence and the relevance to the Council; and
- The need for the Director of Finance to consider whether the risks in respect of finance need to be reviewed if a qualified audit finding on the accounts for 2021/22 was issued.

**16. HR Investigations and Whistleblowing**

Members noted the high-level summary of the number of HR investigations and Whistleblowing investigations in the year 1 January 2023 to 30 November 2023.

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Chairman/woman