

Minutes of the Audit Committee

27 November 2024

-: Present :-

Councillor Brook (Chairman)

Councillors Fellows (Vice-Chair), Hutchings, Long and Penny

17. Apologies

An apology for absence was received from Councillor Maddison.

18. Minutes

The Minutes of the meeting of the Audit Committee held on 24 July 2024 were confirmed as a correct record and signed by the Chairman.

19. Declarations of interests

No interests were declared.

20. LGA Corporate Peer Challenge - Progress Update

Members noted a report that set out the progress made on implementing the Local Government Association (LGA) Corporate Peer Challenge Action Plan, which was approved by Cabinet in July 2024. At the Cabinet meeting, it was agreed that, in order for members to maintain ownership and oversight, the implementation of the action plan should be monitored and reviewed by the Audit Committee.

Members were advised that whilst it was the first time that the Audit Committee had the opportunity to view the progress that had been made, Directors had collectively been working on delivering the Action Plan and reviewing progress on a monthly basis.

Members sought feedback on the realignment of the TDA services and approach to transformation. In response, Members were advised that TDA staff that were in HR, finance and communications have been integrated into the corresponding Council departments with the remaining services transferring as they were. The Council redesign programme was still being implemented, the target operating model has a clear set of objectives and principles, which are used to design service reviews in order to transit from where we are to where we want to be. The programme was experiencing challenges, these challenges were being dealt as a whole organisation to ensure that decisions were not being made in isolation.

Members noted that a number of actions were on hold pending the conclusion of the facilitated sessions being held with Members.

21. 2022/23 Torbay Council Audit Findings Report and Progress Report (Grant Thornton)

Member noted a report that set out Grant Thornton's opinion on the Council's Statement of Accounts for 2022/23. Liam Royle Audit Manager for Grant Thornton informed Members that on 5 September 2024 the government published the draft Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. The new National Audit Office Code, which was approved on 14 November 2024, also required that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work was not concluded, this would result in either a qualification or disclaimer of opinion. As discussed with the Director of Finance, and for reasons set out in more detail below, it was not possible for Grant Thornton to complete the audits for 2022/23 by the statutory backstop date. Therefore, it was proposed a disclaimer of Grant Thornton's audit opinion would be issued.

Members were advised that the main reason for the application of the backstop was that the completion of the 2021/22 audit was delayed and only signed on 2 September 2024. Grant Thornton had agreed with the Council that the audit of the financial statements for the year ended 31 March 2023 would not commence until the previous audit was concluded. This meant there was no realistic prospect of the audit of the Council's financial statements for 2022/23 being completed in advance of the December 2024 backstop deadline. In addition, as noted in Grant Thornton's Audit Report, management had also alerted Grant Thornton to various misstatements in the draft Statement of Accounts, which were likely to be material individually and/or collectively. Management was unable to identify the full extent of these misstatements and quantify their impact prior to the backstop date. The effects of those errors, identified or unidentified, could also therefore be both material and pervasive. As a result, the limitations of scope imposed by the backstop are pervasive and therefore Grant Thornton had been unable to form an opinion on the financial statements by the due date. Therefore, a disclaimer of the audit opinion would be issued.

Members were provided with an update on the audit of the 2023/24 accounts with the government directing that auditors should work with local authorities to begin the process of recovery, it was agreed that Grant Thornton would commence work on the financial statement audit for 2023/24 at the earliest opportunity. The audit commenced in September 2024, following receipt of the Council's draft accounts on 2 August 2024, 9 weeks after the required publication deadline. To date there had been challenges which had hindered the progress of the audit. Timely and comprehensive supporting working papers had been requested and not been fully responded to by the time the audit began. Over the initial weeks of the audit there were a significant number of audit queries with some remaining outstanding for more than two weeks. Furthermore, initial work by Grant Thornton had identified a number of reconciliation differences between the Council's accounting records, the final accounts trial balance

and the draft financial statements affecting both the 2023/24 reported results and also the opening balances relating to the 2022/23 comparative period.

Members were advised that in order to address these issues, the Council had brought in additional resource with a new version of the draft statements having been produced with the intention of completing the audit ahead of the 28 February 2025 backstop date, allowing the Council to return to a regular audit cycle.

22. 2022/23 Statement of Accounts including Annual Governance Statement

The Head of Corporate Finance informed Members that the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment) Regulations 2022 stated that draft 2022/23 Statement of Accounts were to be issued by 30 June 2023 and the Audit Committee were required to approve the accounts by 13 December 2024 in line with the backstop legislation that was recently passed. The draft statement of accounts were published in July 2023.

Due to the ongoing audit of the Council's 2021/22 accounts, which were approved by audit committee in July 2024, the decision was taken to use the 'backstop' for the 2022/23 Statement of Accounts. Using the backstop meant that a full audit of the 2022/23 accounts was not undertaken and a 'disclaimer opinion' was issued by Grant Thornton as set out in Minute 21 above.

The Accounts and Audit Regulations issued by the Secretary of State set out the requirements for the preparation and publication of final accounts. These regulations include the requirement for the formal approval, by a full Committee, of the Authority's Statement of Accounts.

The Statement of Accounts had been prepared in accordance with the current Code of Practice on Local Authority Accounting in Great Britain. The Statement was required to present a true and fair view of the financial position as at 31 March 2023 and the income and expenditure for the financial year 2022/23.

Resolved:

That:

- i) the 2022/23 Statement of Accounts and the Annual Governance Statement be approved; and
- ii) the letter of representation be approved.

23. 2024/25 Treasury Management Mid-Year Review

Members noted a report that reviewed Treasury Management activities during the first part of 2024/25. Members were informed that the treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt and investment operations.

The key points in the Treasury Management review were as follows:

- Bank rate was cut from 5.00% to 4.75% in November with further cuts forecast.
- Gilt yields and therefore Public Works Loan Board rates were over 1% higher than those at the start of the year.
- No new borrowing had been undertaken and internal resources had been used to fund capital expenditure.
- Further strategic investments in long term bonds to provide budgetary surety over the medium term
- All decisions had complied fully with adopted principles and the Council's approved Treasury Management Strategy.

Members noted the investments and whether 'ethical' products e.g. approach to climate change were available. The Director of Finance informed Members that the Council worked with Arlingclose to source the investments, however, the Treasury Management Strategy set out very strict criteria for those the Council invests with in order to mitigate risk. Therefore the number of products were limited whilst the criteria could be opened it would be with heightened exposure to risk.

24. Review of Section 106 and CiL Audit Report

Members noted a report that provided an update on the progress towards addressing the risks outlined in the Internal Audit Report on Section 106 and Community Infrastructure Levy and to give a general understanding of what changes had been made as a result. The Divisional Director for Housing, Planning and Climate Emergency informed Members that in June 2024 an audit report was issued for Section 106 and Community infrastructure Levy monies collected by the Council as mitigation for the harm caused by development. The audit looked at process, risks and performance management issues.

The internal audit report had made a number of recommendations, and these had been largely addressed, mainly through the implementation of the new Exacom System, a new role and joint working with other departments. A follow-up audit was conducted in October 2024, the outcome of which will be reported to the Audit Committee in January 2025.

25. Audit Committee Self Assessment (CIPFA Guidance) 2024-25

The Head of Devon Assurance Partnership informed Members that following their participation in the Audit Committee self-assessment exercise, it was pleasing to note that Members felt that for the majority of principles only minor work was required, but the assessment did highlight a few areas for the Audit Committee to address. These related to changes to the Terms of Reference, production of an annual report, development of a training programme, undertaking regular training needs assessments, development of performance and feedback measures, and establishing an improvement plan.

Resolved:

That the Head of Corporate Finance in consultation with the Senior Democratic and Scrutiny Officer develop an action plan for consideration at the Audit Committee in January 2025.

26. Public Sector Audit Appointments (PSAA) Framework for External Audit

Members noted a report that set out the review of the Public Sector Audit Appointments (PSAA) Framework for External Audit and the future options available to the Council on the delivery of the annual audits.

The Head of Corporate Finance advised Members that at the meeting of Overview and Scrutiny Board on 7 August 2024, the 2024/25 Q1 Budget Monitoring included an update on the audit of the Council's statement of accounts. The Director of Finance provided an update on the national issues regarding the backlog of external audit and the strain on the sector. In addition, a discussion was held with respect to the audit fees applicable and how the fee for the audits were set. Subsequently, the Overview and Scrutiny Board requested the Audit Committee to review the Public Sector Audit Appointments (PSAA) Framework for External Audit and explore future options and report back to the Overview and Scrutiny Board.

Members were informed that as the Council has 'opted in' to the national scheme for appointing auditors for the period covering 1 April 2023 to 31 March 2028, there are no options to 'change' the auditors who undertake the main audit of the Statement of Accounts before the 31 March 2028. The Council would continue to feed into the annual consultation regarding the scale fee.

There was an option to review the other areas which require an annual audit but which are not included in the national scheme to seek value for money. The Council recently tested the market in respect of the audit of the Teachers Pension Fund and appointed a different body to undertake the audit. This resulted in a saving for the Council and the audit was undertaken in line with plan and delivered efficiently. The Council would undertake the same exercise on the 2025/26 audit in respect of the Certification of Housing Benefit Subsidy to understand if there were alternatives to the current provider whilst ensuring that the required outcomes were delivered and value for money considered.

27. Work Plan 2024/2025

Members considered the work plan and requested the Head of Corporate Finance to review the items for the Audit Committee in January as well as the programmed items for the next 12 months.

Chairman/woman