



Committee and Date

Audit Committee
5 December 2013
10.00 am

Item No

3.
Public

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON THURSDAY, 19 SEPTEMBER 2013

10.00 am to 12.35 pm

Responsible Officer Liz Sidaway
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Present

Messrs Cadwallader, Mellings, B B Williams, J M Williams and Wood.

Mr E Bagnall, Mr G Patterson and Ms B Vaghela from Grant Thornton were also in attendance.

23. Apologies for Absence and Substitutions

23.1 None received.

24. Disclosable Pecuniary Interest

24.1 The Chairman reminded members that they must not participate in the discussion or vote on any matter in which they had a disclosable pecuniary interest and that they should leave the room prior to the commencement of the debate.

25. Minutes

25.1 **RESOLVED:**

That the Minutes of the meeting held on 21 June 2013 be approved and signed by the Chairman as a correct record.

26. Shropshire Hills Discovery Centre Internal Controls Update

26.1 The Committee considered the report of the Acton Scott Historic Working Farm and Shropshire Discover Centre Team Leader - copy attached to the signed Minutes - which described the progress being made in response to audit reviews carried out at the Shropshire Hills Visitor Centre between May and August 2011 and in April 2012.

26.2 The Acton Scott Historic Working Farm and Shropshire Discovery Centre Team Leader explained that progress in addressing the recommendations had been ongoing from December 2012 and that a considerable amount of work had been undertaken to rectify the issues. He acknowledged that there were a number of outstanding items in relation to the Payroll system and confirmed that he was seeking further clarification on these issues. It was noted that

other outstanding items to be resolved were due to the management changes and gave an assurance that these would be rectified and addressed once the restructure had been concluded.

26.3 RESOLVED:

That the continued positive progress being made by the Shropshire Hills Discovery Centre management and staff in response to the results of the two audit reports be noted and endorsed.

27. Quarterly Update on the Transformation Programme Management Control and Risks

27.1 The Committee considered the report of the Head of Programme Management Systems and Transition - copy attached to the signed Minutes - giving an assurance on the robustness of the governance arrangements for all change related activities which were all aligned to identified council priorities.

27.2 The Programme Management Coordinator updated the Committee on the transfer of the media and PR team to ip&e Ltd which had led to some future refinement but overall had been well managed and successful. It was noted that the next tranche to move into ip&e Ltd would be deferred pending the outcome of the business planning process which could lead to service redesign.

27.3 In response to a question regarding zero based budget business planning, the Programme Management Coordinator confirmed that the new budget model would be agreed by the Senior Management Team and Portfolio Holders. In response to a further question the Committee was informed that the Council was on track to deliver a Council wide Business Plan for service reinvention by the 31st October 2013 and that details of this could be shared with members of the Committee along with a copy of the risk RAG report.

27.4 RESOLVED:

That the report be noted and further updates be submitted to the Audit Committee. .

28. Council Tax and Non-Domestic Rates Performance Monitoring Report

28.1 The Committee considered the report of the Head of Customer Support and Assets- copy attached to the signed Minutes – which set out performance monitoring information on the collection of Council Tax and National Non Domestic Rates (NNDR) for the year to 31 August 2013.

28.2 The Revenues Manager advised members that in the financial year 2012/13 48.6% of Council Tax and 46% of NNDR had been collected by the Council. He confirmed that between 31 March 2012 and 26 August the Revenues Team had collected 48.1% of Council Tax and 51% of NNDR debt against the Council's target. Members were advised that the Council was the joint 8th highest unitary collecting authority for the collection of Council Tax and the joint 13th highest collecting unitary authority for business rates.

28.3 The Revenues Manager agreed to circulate the percentage figures for payments made over a 12 rather than 10 month period to members of the Committee.

28.4 **RESOLVED:**
That the contents of the report be noted.

29. Benefit Overpayment Performance Monitoring Report

29.1 The Committee considered the report of the Head of Customer Support and Assets – copy attached to the signed Minutes – which gave an update on the performance monitoring information on the collection of housing benefits overpayments for the year to 2012/13.

29.2 The Revenues Manager reported that as at the 31 July 2013, the total amount outstanding including previous years, was £4.1 million compared to £3.6 m the previous year. In response to a question about how far back does debt go and at what point would the Council consider writing off debt, the Revenues Manager stated that outstanding debt as at April 2012 was £1.3 m and indicated that ongoing recovery measures were problematic and that it could take a long time to collect from people in receipt of benefits.

29.3 **RESOLVED:**
That the contents of the report be noted.

30. Update on Current and Aged Debtors

30.1 The Committee considered the report of the Head of Financial Management and Reporting – copy attached to the signed Minutes – which gave details of the levels of aged debt held within the Council's accounts and the action being taken for recovery of these debts.

30.2 The Head of Financial Management and Reporting advised members that progress had been made over the last two months, with further options being considered to support the recovery of aged debt. It was reported that a significant amount of the outstanding aged debt related to social care debt was linked to the settlement of estates or sale of property which by their nature, were timely. Members of the Committee were informed that 2,410 accounts had an outstanding balance of £100 or less which totalled £97,036 but these were deemed uneconomical to chase due to the cost incurred in debt recovery.

The Head of Financial Management and Reporting indicated that additional staffing resources had been secured and that the Sales Ledger team was taking positive action to address the recovery of outstanding debt on the Council's accounts.

30.3 **RESOLVED:**
That the contents of the report be endorsed and a further update report be submitted to the Audit Committee in six months.

31. Audited Annual Statement of Accounts 2012/13

31.1 The Committee considered the report of the Head of Finance, Governance and Assurance (Section 151 Officer) – copy attached to the signed Minutes – which set out the final audited out turn position for the financial year 2012/13 to be confirmed by Council on the 26th September 2013.

31.2 The Head of Finance, Governance and Assurance (Section 151 Officer) reported on one significant change to the accounts since the earlier version reported to the Audit Committee in June which related to the Waste PFI scheme. The change followed the reworking of the original contract model and showed a change of £6.512m to the Council's balance sheet. He confirmed that the changes were classified as a 'change in accounting estimate and policy'.

31.3 He also confirmed that other than the change reported above, there had been no material changes to the main accounting statement since the version reported to the Committee in June, although a number of minor typographical errors have been corrected and additional disclosures and minor corrections had been made with the agreement of Grant Thornton.

31.4 **RESOLVED:**

(a) that the Statement of Accounts be accepted by the Audit Committee.

(b) that the Head of Finance, Governance and Assurance (Section 151 Officer) be authorised to make any minor adjustments to the Statement of Accounts prior to the 30 September 2013.

32. Annual Treasury Report 2012/13

32.1 The Head of Finance, Governance and Assurance (Section 151 Officer) presented his report – copy attached to the signed minutes – on the treasury activities for Shropshire Council for 2012/13, including the investment performance of the internal treasury team to 31 March 2013. He indicated that the internal treasury team had outperformed their investment benchmark by 0.58% in 2012/13 and performance for the last three years was 0.54% per annum above benchmark. Treasury activities during the year had been within approved prudential and treasury indicators set and had complied with the Treasury Strategy.

32.2 On behalf of Committee, the Chairman asked that their appreciation of the efforts made by the internal treasury team be recorded and congratulated the team for their good work.

32.3 **RESOLVED:**

That the position as set out in the report by the Head of Finance, Governance and Assurance (Section 151) on the Annual Treasury Report 2012/13 be accepted.

33. Risk Management Annual Report 2013

33.1 The Committee considered the report of the Risk Management Team Leader – copy attached to the signed Minutes – which set out the challenges and achievements accomplished by the Risk Management Team last year.

33.2 The Risk Management Team Leader advised that both the Risk Management and Insurance teams had been audited within the last twelve month period and she was pleased to confirm that the final reports identified the assurance levels as 'Good' for both areas with no recommendations identified.

33.3 The Risk Management Team Leader further indicated that the Business Continuity Plan had been redeveloped following the recent and impending changes and stated that a Business Continuity awareness event had been scheduled for October for members. The importance of business continuity during the current period of change and uncertainty was acknowledged by members of the Committee.

33.4 Members of the Committee were informed that the strategic risks were a key area for the Risk Management Team and a review had been undertaken and completed. The Risk Management Team Leader further stated that all relevant strategic risks had been linked to the Annual Governance Statement Action Plan ensuring action points were managed strategically.

33.5 RESOLVED:

That the report be received and noted.

34. Internal Audit Plan 2013/14 - Performance Report

34.1 The Committee considered the report of the Audit Service Manager – copy attached to the signed Minutes – which set out an update to the draft Internal Audit Plan considered by the Committee in March. She indicated that several changes both in the Council's structure and available resources had necessitated changes to the draft plan. The refined Internal Audit Plan provided members of the Committee with an update on the work undertaken by the Internal Audit Team between the 1st April to the 31st August 2013.

34.2 The Audit Service Manager reported that despite a challenging start to the year, 37% of the revised audit plan had been completed to date which was in line with a year end target of 90%. She stated that the audit team continued to experience higher than expected special investigation and unplanned work which had necessitated the revisions to the draft plan and confirmed that the changes had been discussed and agreed by the Section 151 Officer.

34.3 The Audit Service Manager also stated that since April 2013, 60 final reports had been issued with 45 good and reasonable assurances, 5 unsatisfactory and a further 10 limited assurance opinions issued. She went on to update the Committee on the follow up work on the fundamental systems audits reported at the previous meeting which had contributed to her limited annual opinion. A health check has been completed in these areas, a full audit review will be completed later in the year as part of the routine fundamental systems audit reviews. She reported that overall there is a positive or improving direction of travel in these areas and the management teams of the specific areas had provided an assurance that control improvements were being undertaken and continuing to be implemented.

34.4 Members of the Committee were informed that the audit team had secured the services of an accounting trainee on a twelve month secondment and as a result, the amount of additional bought in audit services would lessen and allow an increase in the audit provision provided by the team. The Audit Services Manager confirmed that the mixed resourcing situation would continue to be closely monitored during the remainder of the year.

34.5 In response to a question the Audit Services Manager stated that the control issues were being addressed by managers and that despite the challenges, it was felt all managers were doing their best to deliver on improving system controls.

34.6 The Section 151 Officer also confirmed that members of the Senior Management Team were regularly updated on audit issues.

34.7 **RESOLVED:**

(a) That the performance to date against the 2013/14 Audit Plan be noted.

(b) That the adjustments to the 2012/13 Action Plan be confirmed to reflect the changing proprieties as set out in Appendix A of the report.

35. Public Sector Internal Audit Standards (PSIAS)

35.1 The Committee considered the report of the Audit Service Manager – copy attached to the signed Minutes – which provided the results on the self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards (PSIAS) which the Chartered Institute of Public Finance and Accountancy (CIPFA) had developed in collaboration with the Chartered Institute of Internal Auditors (CIIA) and which came into force on 1 April 2013.

35.2 The Audit Service Manager explained that in complying with the PSIAS, Shropshire Council would provide assurances to Internal Audit's external customers as to the team's professionalism, quality and effectiveness.

35.3 The Audit Service Manager summarised the results of the self assessment and confirmed that the majority of the standards were totally complied with. She stated that there were three areas of non compliance identified and these were outlined in Appendix A of the report.

35.4 The Chairman of the Audit Committee stated that the Internal Audit Team was constantly working with external auditors and that assessment was being undertaken on an ongoing basis and any significant areas of non-conformance would be reported to the Audit Committee.

35.5 **RESOLVED:**

That the report be endorsed in that the Council's Internal Audit Team complied with the principles of the Public Sector Internal Audit Standards and supports the proposed improvement activities to ensure full compliance; and that further updates be reported back to the Audit Committee as necessary.

36. External Audit (Grant Thornton): The Audit Findings for Shropshire Council

36.1 The Committee considered the report of the External Auditor – copy attached to the signed Minutes – which summarised the key matters arising from the audit of Shropshire Council's financial statements for the year ending 31 March 2013 which was substantially complete. It included the key messages arising from the audit of the Council's financial statements and the results of work undertaken to assess the Council's arrangements to secure value for money and use of resources.

36.2 The District Auditor confirmed that he proposed to issue an unqualified opinion on the financial statements but had identified a technical accounting adjustment in respect of the Waste PFI. He stated that both the External Auditors and the Head of Finance, Governance and Assurance had agreed proposals for identifying a more accurate way of accounting for the scheme

over its life cycle which had resulted in a number of changes to the draft financial statements.

- 36.3 The District Auditor confirmed that he intended to issue an unqualified value for money conclusion which would state that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

36.4 **RESOLVED:**

That the contents of the report be noted.

37. External Audit (Grant Thornton): Pension Fund Annual Governance Report

- 37.1 The Committee considered the report of the External Auditor – copy attached to the signed Minutes – which summarised the findings for the year ended 31 March 2013 on the audit of the Pension Fund financial statements.

- 37.2 The District Auditor informed the meeting that this report would be considered by the Pensions Committee and had been brought to the Audit Committee for information. He proposed to issue an unqualified opinion on the financial statements

37.2 **RESOLVED:**

That the contents of the report be noted.

38. Internal Audit - External Audit Protocol for Shropshire Council

- 38.1 The Committee considered the report of the External Auditors – copy attached to the signed Minutes - which set out the protocol and procedures underpinning the working relationship between the Audit Services Team and the Council's external auditors.

- 38.2 The External Auditor reported that the protocol had been agreed with the Audit Services Manager and would be reviewed annually.

38.3 **RESOLVED:**

That the contents of the report be noted.

39. Date of Next Meeting

- 39.1 The next meeting of the Committee would be held on Thursday, 12 December 2013 at 10.00am.

40. Exclusion of Press and Public

40.1 **RESOLVED:**

That in accordance with the provisions of Schedule 12A of the Local Government Act 1972 and paragraph 10.2 of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of the following items on the grounds that they involve the likely disclosure of exempt information defined by the categories specified against the items.

41. Minutes (Exempted by Categories 1 and 3)

41.1 RESOLVED:

That the exempt minutes of the meeting held on the 21 June 2013 be approved and signed by the Chairman as a correct record.

42. Fraud and Special Investigation Update - September 2013 (Exempted by Categories 2, 3 and 7)

42.1 The Committee considered the exempt report of the Senior Group Auditor – copy attached to the signed Minutes – which provided an update on current fraud and special investigations undertaken by the Internal Audit Team.

42.2 RESOLVED:

That the contents of the exempt report be noted.

Signed (Chairman)

Date: 12 December 2013