

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 JUNE 2014
9.30 AM - 12.40 PM

Responsible Officer: Liz Sidaway
Email: liz.sidaway@shropshire.gov.uk Tel: 01743 252885

Present

Councillor Brian Williams (Chairman)
Councillors Michael Wood (Vice Chairman), John Cadwallader, Chris Mellings and Mansel Williams

1 Election of Chairman

- 1.1 **RESOLVED:**
That Mr B Williams be appointed Chairman of the Audit Committee for the ensuing municipal year.

2 Apologies for Absence / Notification of Substitutes

- 2.1 There were no apologies for absence.

3 Appointment of Vice Chairman

- 3.1 **RESOLVED:**
That Mr M Wood be appointed Vice-Chairman of the Audit Committee for the ensuing municipal year.

4 Disclosable Pecuniary Interests

- 4.1 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.

5 Minutes of the previous meeting held on the 27 March 2014

- 5.1 **RESOLVED:**
That the Minutes of the meeting held on the 27 March 2014 be approved and signed by the Chairman as a correct record.

6 Public Questions

- 6.1 There were no public questions.

7 Update on Programme Management Controls and Risks

- 7.1 The Committee considered the report of the Director of Commissioning - copy attached to the signed minutes - which gave an update on both existing and emerging management controls risk management arrangements already in place in relation to the business transformation and redesign being undertaken by the Council.
- 7.2 The Director of Commissioning confirmed that a robust approach to risk management was in place in relation to the Business Plan and the Financial Strategy and that the measures taken prevented the Council from compromising or increasing exposure to risk.
- 7.3 **RESOLVED:**
- (a) That the contents of the report by the Director of Commissioning be endorsed and accepted.
 - (b) That a further update be submitted to the Audit Committee in September 2014.

8 Council Tax and National Non Domestic Rates (NNDR) Performance Monitoring Report

- 8.1 The Committee considered the report of the Revenues Manager - copy attached to the signed Minutes - which set out the performance monitoring on the collection of income through Council Tax and National Non Domestic Rates (NNDR) for the year ending 31 March 2014.
- 8.2 The Revenues Manager reported that the final collection rate for council tax was £146,827,533 or 98.1% which compared favourably with the previous year's collection of 98.3%.
- 8.3 In respect of Business Rates (NNDR), the Revenues Manager stated that £74,783,313 or 98.3% had been collected between the 1 April 2013 and the 31 March 2014 which again compared favourably with the previous year's collection rate of 98.4%.
- 8.4 **RESOLVED:**
That the contents of the report by the Revenues Manager be noted.

9 Revenue Outturn Report 2013/2014

- 9.1 Consideration was given to the report of the Head of Finance, Governance and Assurance (Section 151 Officer) - copy attached to the signed minutes - which provided details of the revenue outturn position for Shropshire Council for 2013/14. The Council's financial position for 2013/14 had improved by £0.978m when compared to projections made at Period 11 which had resulted in a net underspend of £0.390m.
- 9.2 **RESOLVED:**
- (a) That it be noted that the outturn for the Revenue Budget for 2013/14 was an underspend of £0.390m, which represented 0.06% of the original gross budget of £639m.

- (b) That it be noted that the level of general balance stood at £14.497m, which was above the anticipated level included within the Financial Strategy.
- (c) That it be noted that the level of school balances stood at £5.855m (2012/13 £4.953m).
- (d) That it be noted that the Outturn for the Housing Revenue Account for 2013/14 was an underspend of £1.426m and the level of the Housing Revenue Account reserve stood at £2.542m (2012/13 £1.041m).

10 Capital Outturn Report 2013/2014

10.1 Consideration was given to the report of the Head of Finance, Governance and Assurance (Section 151 Officer) – copy attached to the signed minutes – on the final outturn position for the Council's 2013/14 capital programme and the current position regarding the 2014/15 to 2016/17 taking into account the slippage following the closure of the 2013/14 programme, and any budget increases/decreases for 2014/15 and future years.

10.2 RESOLVED:

- (a) That approval be given to budget variations of £17,700 to the 2013/14 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2013/14 capital budget of £47.4m.
- (b) That approval be given to the re-profiled capital budgets of £71.4m for 2014/15, including slippage of £6.6m from 2013/14, £13.7m for 2015/16 and £5.3m for 2016/17 as detailed in Appendix 1/Table 4.
- (c) That the outturn expenditure set out in Appendix 1 of £40.7m, representing 85.9% of the revised capital budget for 2013/14 be accepted.
- (d) That approval be given to the Highways and Transport programme of schemes for delivery in 2014/15 and authority be delegated to the Area Commissioner (South) in consultation with the Portfolio Holder to approve any changes to the implementation plan of schemes for delivery in 2014/15 within the parameters of the outline capital programme.
- (e) That approval be given to the setting aside of capital receipt of £1.35m to replace the self-financed prudential borrowing previously applied to finance the Solar PV schemes. This would generate an ongoing revenue saving from 2014/15.
- (f) That approval be given to retaining a balance of capita receipts set aside of £13.25m as at 31st March 2014 to generate a Minimum Revenue Provision saving of £530,000 in 2014/15.

11 Review of the Annual Statement of Accounts 2013/2014

11.1 Consideration was given to the report of the Head of Finance, Governance and Assurance (Section 151) - copy appended to the signed minutes which provided an overview of the Accounts and gave details of the most significant changes between the 2012/13 Accounts and the 2013/14 Accounts. The Section 151 officer indicated that the 2013/14 Statement of Accounts was required to be certified as a true and fair view of the financial position of the Authority by the 30 June 2014 and was subject to scrutiny by the Council's External Auditors.

11.2 The Group Accounts were tabled and noted during the meeting, copy appended to the signed minutes. The Head of Finance, Governance and Assurance (Section

151) confirmed that these would be incorporated within the final Statement of Accounts.

11.3 RESOLVED:

- (a) That the Draft 2013/14 Statement of Accounts be noted and received.
- (b) That the Head of Finance, Governance and Assurance (Section 151) be authorised to make any final adjustments to the Statement of Accounts prior to the 30 June 2014.

12 2013/14 Review of Annual Whistleblowing Policy - 'Speaking Up about Wrongdoing'

12.1 Consideration was given to the report of the People Development Manager - copy attached to the signed minutes - which provided an update on the number of cases raised by Council employees (excluding school based employees) via the whistleblowing policy which allowed employees to raise concerns about fraud, corruption, adult/child protection or harassment or bullying allegations.

12.2 The People Development Manager stated that five cases had been investigated during 2013/14 resulting in the dismissal of two employees and 'no case to answer' found for the other three cases.

12.3 RESOLVED:

That the report be noted and accepted.

13 Review of the Code of Corporate Governance 2013/2014

13.1 Consideration was given to the report of the Audit Engagement Officer - copy attached to the signed minutes - which set out the principles of the Council's Code of Corporate Governance arrangements. The report demonstrated strong evidence of how the Code had been applied and how it contributed to the Council's strong governance arrangements with no material breaches of the Code identified.

13.2 RESOLVED:

That the report be noted and acceptance of Internal Audit's conclusion that the Council has very strong compliance with the Code of Corporate Governance.

14 Annual Governance Statement and a Review of the Effectiveness of the Council's System of Internal Control 2013/2014

14.1 Consideration was given to the report of the Head of Finance, Governance and Assurance (Section 151) - copy attached to the signed minutes - which set out the Annual Governance Statement to be considered following a review of the effectiveness of the Council's system of internal controls.

14.2 The Head of Finance, Governance and Assurance (Section 151) highlighted the main challenge facing the Council which was the delivery of future services whilst achieving budget savings of £41.5 m in 2014/15 and gave an assurance that the identified risks would remain under close review and be continually managed throughout the year.

14.3 The Head of Customer Involvement acknowledged the challenges faced within the Council's ICT Services. He outlined the measures being taken to ensure the ICT

infrastructure was fit for purpose, robust and PSN compliant to improve business continuity risks and to ensure the direction of travel was aligned with both business and strategic objectives to provide the necessary assurance levels required.

- 14.4 With reference to paragraph 76 of the report, it was noted that Local Joint Committees no longer had a delegated budget and agreed that this paragraph be removed.

14.5 **RESOLVED:**

- (a) That the Annual Governance Statement 2013/14 be approved subject to the removal of paragraph 76.
- (b) That the Head of Customer Involvement be invited to the next meeting of the Audit Committee to update members on progress.

15 **Internal Audit Annual Report 2013/2014**

- 15.1 Consideration was given to the report of the Audit Services Manager - copy attached to the signed Minutes - which provided members with details of the work undertaken by Internal Audit for the year ending 31 March 2014 and also gave an update on progress made against the Audit Annual Work Plan.

- 15.2 The Audit Services Manager reported on the 164 final reports which contained 1,651 recommendations in total and stated that 123 good and reasonable assurances made, 24 limited and 17 unsatisfactory opinions issued. She indicated that despite the increase, the direction of travel was good and management teams had given an assurance to seek to make further improvements. Members were pleased to note that 98% of the revised Audit Annual Work Plan had been delivered which had exceeded the 90% target.

15.3 **RESOLVED:**

- (a) That the performance against the Audit Plan for the year ending 31 March 2014 be noted.
- (b) That it be noted that the system of internal control is effectively operating and can be relied upon when considering the Annual Governance Statement for 2013/14.
- (c) That it be accepted that the Audit Service Manager's qualified year end opinion on the Council's internal control environment for 2013/14 on the basis of the work undertaken and management responses received.

16 **Annual Review of the Effectiveness of the System of Internal Audit and Quality Assurance and Improvement Programme (QAIP) 2013/2014**

- 16.1 Consideration was given to the report of the Head of Finance, Governance and Assurance (Section 151) - copy attached to the signed minutes - which set out the findings of the Annual Review of the effectiveness of the Internal Audit Team

16.2 **RESOLVED:**

That the report be noted and the Committee endorse the conclusion that the Council has an effective system of internal audit in place which complied with the principles of the Public Sector Internal Audit Standards and acknowledged the planned improvement activities to ensure full compliance.

17 **Annual Assurance Report of the Audit Committee to Council 2013/2014**

- 17.1 Consideration was given to the report of the Head of Finance, Governance and Assurance (Section 151) - copy attached to the signed minutes - which provided the Council with an independent assurance of an adequate and effective risk management and internal control system that could be relied up on and which contributed to the high corporate governance standards expected by the Council and which had been consistently maintained.
- 17.2 The Chairman referred to the draft Annual Assurance report and highlighted several changes to the following paragraphs to be made to the draft report prior to its submission to Council.

Paragraph 12:

Members of the Audit Committee and the Audit Service Manager and her staff are well aware of the changing nature of local government in relation to the greater responsibilities for innovative practice allowed by the Government's Powers of Competence Act. In particular we are aware that the Audit function [DELETE] ~~will have~~ [INSERT] *has* an essential [INSERT] *and ongoing* role to play in monitoring the risks involved in the arrangements for strategic commissioning and the creation of a Council owned trading company for service delivery. Members are already receiving training in this extended aspect of their responsibilities, and the Audit Service Manager is ensuring that adequate resources are available in order to minimise any possibility of the risk of financial malpractice. Members of the Committee and Audit staff are fully seized with the need to [DELETE] ~~be~~ [INSERT] *keep* "ahead of the game", as the role of local government changes and evolves to meet the challenges of [INSERT] *severe* reductions in many of the traditional sources of income.

Paragraph 13:

I have written above about the impressive manner in which Audit staff prepare the wide range of reports which are necessary for the consideration of Committee members. The key staff are James Walton, the Section 151 Officer, Ceri Pilawski, the Audit Service Manager and the recently retired, Chris Kalinowski, her Deputy, who also carried the additional delegated authority of ensuring the effectiveness of the Council's Counter Fraud and Anti-Corruption policy and the "Whistle-blowing" policy. [INSERT] *The work which Chris did will be carried out in the future by Katie Williams (no relative of mine!) who is newly promoted to the position of Audit Engagement Officer and who has already impressed me by her knowledge and enthusiasm which gives assurance that the void left by Chris will be well and capably filled.* [DELETE] ~~Chris' work will be picked up by Katie Williams in the future who is newly promoted to the role of Audit Engagement Officer.~~

Paragraph 14:

Without the enthusiastic and committed support of all Audit staff and, in particular, of the three officers mentioned above, it would not be possible for the Audit Committee to be as highly effective as peer comparisons show us to be. [INSERT] *My thanks and that of my fellow committee members are given to all our Audit Service officers who are coping with an increasing workload with much reduced numbers."*

- 17.2 **RESOLVED:**

That subject to the amendments noted above, the Draft Annual Assurance Report be approved and that Council be recommended to accept the contents of the report.

18 External Audit: Certification Plan 2013/2014

18.1 Consideration was given to the External Auditor's Certification Report for 2013/14 - copy attached to the signed minutes - which set out the grant certification arrangements for 2013/14.

18.2 RESOLVED:

That the report by the External Auditor be noted.

19 External Audit: Annual Fee Letter 2014/2015

19.1 Consideration was given to the report of the External Auditor - copy attached to the signed minutes - which set out details of the audit fee for the Council for 2014/15 along with the scope and timing of work to be undertaken by the External Auditors. The Engagement Lead reported that the Council's scale fee for 2014/15 had been set by the Audit Commission at £177,390 the same as for 2013/14.

19.2 RESOLVED:

That the report by the External Auditor be noted.

20 External Audit: Audit Plan for the Pension Fund 2013/2014

20.1 Consideration was given to the report of the External Auditor - copy attached to the signed minutes - which set out the details of the planned audit work in relation to the Council's Pension Fund with an opinion being issued in September 2014.

20.2 RESOLVED:

That the report by the External Auditor be noted.

21 External Audit: Audit Committee Update

21.1 Consideration was given to the External Auditors' Audit Committee Update report for Shropshire Council - copy attached to the signed minutes - which provided a summary of emerging national issues and developments which might be of relevance to the Council and also included several challenge questions in respect of the emerging issues which the Audit Committee might wish to consider in their future work or training programmes.

21.2 RESOLVED:

That the contents of the report by the External Auditors be noted.

22 External Audit: Value for Money Conclusion

22.1 Consideration was given to the Value for Money Conclusion training update - copy attached to the signed minutes. The Audit Manager reported that the responsibilities of the External Auditors were derived from statute and from the Code of Audit Practice and work undertaken would normally include offering an opinion on financial statements and issuing a value for money conclusion.

22.2 **RESOLVED:**

That the contents of the training update be noted.

23 **Date and Time of Next Meeting**

23.1 The next meeting of the Audit Committee would be held on Thursday, 18 September 2014 at 10.00 am in the Shrewsbury Room, Shirehall.

24 **Exclusion of Press and Public**

24.1 **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 item on the grounds that it involved the likely disclosure of exempt information defined by the categories specified against the items.

25 **Fraud and Special Investigation Update June 2014 (Exempted by Categories 2, 3 and 7)**

25.1 The Committee considered the exempt report of the Audit Engagement Officer on an update on the current fraud and special investigations undertaken by the Internal Audit Team.

25.2 **RESOLVED:**

That the contents of the exempt report of the Audit Engagement Officer be noted.

Signed (Chairman)

Date: