

**Committee and Date**

Audit Committee

17 September 2015

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 JUNE 2015**9.30 AM - 12.30 PM****Responsible Officer:** Michelle Dulson

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Present

Councillor Brian Williams (Chairman)

Councillors Michael Wood (Vice Chairman), John Cadwallader, Chris Mellings and Pamela Moseley (Substitute) (substitute for Mansel Williams)

7 Apologies for Absence / Notification of Substitutes

7.1 An apology for absence was received from Councillor Mansel Williams.

7.2 Councillor Pam Moseley substituted for Councillor Mansel Williams.

8 Disclosable Pecuniary Interests

8.1 The Chairman reminded Members that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

9 Minutes of the previous meetings held on 23 February, 14 May and 5 June 2015**9.1 Minutes of the meeting held on 5 June 2015 - Paragraph 5.1**

It was agreed that the resolution should read 'that the report of the Head of Programme Management be noted'.

9.2 **RESOLVED:** That, subject to the above, the Minutes of the meetings held on 23rd February, 14 May and 5 June 2015 be approved and signed by the Chairman as a correct record.**10 Public Questions**

10.1 There were no public questions.

11 Council tax and NNDR performance report monitoring

- 11.1 The Committee received the report of the Revenues and Benefits Service Manager (copy attached to the signed Minutes), which provided Members with performance monitoring information on the collection of Council Tax and Non Domestic Rates (Business Rates) income for the year to 31 March 2015, together with progress on the year to 31 March 2016.
- 11.2 The Revenues and Benefits Service Manager reported that the final collection rate for council tax for 2014-15 was £149,829,554 or 98.2% which compared favourable to the previous year's collection rate of 98.1%. In the year to 15 June 2015, 27.2% of council tax had been collected compared to 27.1% for the equivalent period last year. The total arrears for council tax as at 31 March 2015 stood at £8.6m but by 1 June 2015 this had reduced to £7.9m.
- 11.3 In respect of Business Rates (NNDR), the Revenues and Benefits Service Manager stated that £77,058,449 or 98.7% had been collected between the 1 April 2014 and the 31 March 2015 which again compared favourably with the previous year's collection rate of 98.3%. In the year to 15 June 2015, 32.7% of business rates debt had been collected compared to 26% for the equivalent period last year. The total arrears for Business Rates stood at £3.5m as at 1 June 2015.
- 11.4 In response to a query, the Revenues and Benefits Service Manager explained that the Council were not actively taking debtors to committal but instead sought to obtain an attachment of earnings/benefits order. The threat of going to court however did lead to some people settling their debts. It was also reported that the Council's Enforcement Agents had more success by telephoning or writing to debtors rather than sending in the Bailiffs.
- 11.5 **RESOLVED:** That the contents of the report be noted.

12 2014/2015 Review of the Whistleblowing - 'Speaking up about Wrongdoing'

- 12.1 The Committee received the report of the HR Manager (copy attached to the signed Minutes), which provided Members with an update on the number of Whistleblowing cases raised regarding Council employees over the last year (excluding school based employees).
- 12.2 The Head of Human Resources and Development reported that two incidents of Whistleblowing had been investigated, one involving a data protection breach which had led to a dismissal and one involving theft, for which the investigation found no case to answer.
- 12.3 **RESOLVED:** That the contents of the report be noted.

13 2014/15 Settlement Agreements

- 13.1 The Committee received the report of the HR Business Partner (copy attached to the signed Minutes), which provided Members with an update on the number of

Settlement Agreements for Council employees over the last year, 1 April 2014 to 31 March 2015 (excluding school based employees).

- 13.2 The Head of Human Resources and Development explained that Settlement Agreements were legally binding documents used to resolve disputes where there was a risk that an Employment Tribunal claim may be made. She reported that Settlement Agreements had become more common as they were an easier option than dismissal and she felt that as the Council moved more towards becoming a commissioning council it may see an even greater increase in the use of Settlement Agreements.
- 13.3 The Head of Human Resources and Development informed the Committee that 13 Settlement Agreements had been entered into in 2014/15. In response to a query, the Head of Human Resources and Development confirmed that settlement values of over £100,000 must be signed off by full Council however in general employment matters did not require Member approval although the Portfolio Holder would be made aware of the situation. Only very robust cases with input from HR and Legal would be recommended for approval.
- 13.4 **RESOLVED:** That the contents of the report be noted.

14 Revenue outturn report 2014/15

- 14.1 The Committee received the report of the Section 151 Officer (copy attached to the signed Minutes), which provided Members with details of the revenue outturn position for Shropshire Council for 2014/15 and provided a summary of the revenue outturn for each service area with a commentary on the main variations and an outline of how the position had changed since Quarter 3; the movements in the Council's general balance and the Council's reserves and provisions.
- 14.2 It was noted that the final outturn for 2014/15 showed an overall net revenue expenditure of £223.145m and an underspend of £0.300m. This would be fed into the Medium Term Financial Plan. The Section 151 Officer explained that monitor reports were considered quarterly at Cabinet and monthly reports went to the Directors and Management Teams.
- 14.3 The Section 151 Officer drew attention to the table at Paragraph 6.2 which set out the budget variations by service area. In response to a query, the Section 151 Officer explained that the bad debt provision on the Housing Revenue Account had reduced by £300,000. However, it was felt that the impact of Universal Credit was yet to be seen.
- 14.4 In response to a query, it was confirmed that the level of schools balances had fallen slightly due to seven schools transferring to academy status. The Section 151 Officer explained the impact of non-controllable items on the outturn position.
- 14.5 In response to a query in relation to the planning reserve to improve the speed of planning applications being approved, the Section 151 Officer agreed to furnish Members with a fuller response outside of the meeting.
- 14.6 **RESOLVED:**

- A. To note that the Outturn for the Revenue Budget for 2014/15 was an underspend of £0.300m, which represented 0.05% of the original gross budget of £578m.
- B. To note that the level of general balance stood at £15.206m, which was above the anticipated level included within the Financial Strategy.
- C. To note that the Outturn for the Housing Revenue Account for 2014/15 was an underspend of £0.763m and the level of the Housing Revenue Account reserve stood at £3.076m (2013/14 £2.542m).
- D. To note the increase in the level of Earmarked Reserves and Provisions (excluding delegated school balances) of £17.939m in 2014/15.
- E. To note that the level of school balances stood at £3.957m (2013/14 £5.523m).

15 Capital outturn report 2014/15

- 15.1 The Committee received the report of the Section 151 Officer (copy attached to the signed Minutes), which informed Members of the final outturn position for the Council's 2014/15 capital programme and the current position regarding the 2015/16 to 2017/18 capital programme taking into account the slippage following the closure of the 2014/15 programme, and any budget increases/decreases for 2014/15 and future years.
- 15.2 The Section 151 Officer reported that the outturn capital expenditure was £54.2m, which represented 81.7% of the re-profiled budget. He explained the process for generating capital receipts, £4.4m of which had been generated in 2014/15.
- 15.3 In response to a query, the Section 151 Officer confirmed that although there were no current plans to take on any prudential borrowing, if any existing debts were due to be repaid the Council may need to refinance.

15.4 RESOLVED:

- A. That the budget variations of £209,067 to the 2014/15 capital programme, detailed in Appendix 1/Table 1 and the re-profiled 2014/15 capital budget of £66.4m be approved.
- B. That the re-profiled capital budgets of £66.6m for 2015/16, including slippage of £12.1m from 2014/15, £34.6m for 2016/17 and £27.5m for 2017/18 as detailed in Appendix 1/Table 4 be approved.
- C. That the outturn expenditure set out in appendix 1 of £54.2m, representing 81.7% of the revised capital budget for 2014/15 be accepted.
- D. That retaining a balance of capital receipts set aside of £14.1m as at 31st March 2015 to generate a Minimum Revenue Provision saving of £564,000 in 2015/16 be approved.

16 Annual Statement of Accounts 2014/15

- 16.1 The Committee received the report of the Section 151 Officer (copy attached to the signed Minutes), which provided Members with an overview of the Accounts and also provided details of the reasons for the most significant changes between the 2013/14 Accounts and the 2014/15 Accounts.
- 16.2 The Section 151 Officer drew Members' attention to the Analytical Review set out in Appendix 2 of the report, which highlighted a number of areas where there had been material changes. He reported that there had been some reduction in the amount of notes contained within the accounts and that the Pension Fund Accounts had been included in more detail this year.
- 16.3 In response to a query in relation to losses on the disposal of non-current assets (Paragraph 8 - Other Operating Expenditure) the Head of Financial Management & Reporting explained that the losses on disposal had decreased mainly due to seven schools transferring to academy status. The sum had therefore been taken out of the balance sheet and added to the income account. An explanation of this was contained in the Analytical Review.
- 16.4 In response to a query in relation to the large increase in the amount of money due to the Council but unpaid at 31 March 2015 (Paragraph 18 – Debtors), the Head of Financial Management & Reporting informed the Committee that this was due to an outstanding balance due from NHS Bodies. A reconciliation of this was ongoing whilst more debt was being added. The situation was continually monitored and had been raised at the highest level of both organisations.
- 16.5 **RESOLVED:**
- A. That the contents of the draft 2014/15 Statement of Accounts be noted.
 - B. That the Head of Finance, Governance and Assurance be authorised to make any final adjustments to the Statement of Accounts prior to the 30 June 2015.

17 **Internal Audit Annual report 2014/15**

- 17.1 The Committee received the report of the Audit Service Manager (copy attached to the signed Minutes), which provided Members with details of the work undertaken by Internal Audit for the year ended 31 March 2015. It also reported on progress against the Annual Audit Plan and contributed to the review of the effectiveness of the Internal Audit team as required by the Accounts and Audit Regulations 2011 6(3).
- 17.2 The Audit Service Manager reported that the revised plan had been delivered in excess of the 90% delivery target. 2,060 days had been provided in the plan however this figure had been revised to 2,147 days. In total, 141 final reports were issued in 2014/15. Ninety good or reasonable assurances were made (64%), which was a reduction of 11% on the previous year. This was offset by an 11% increase in limited (11) and unsatisfactory (40) opinions which accounted for 36% in total compared to 25% last year.
- 17.3 The Audit Service Manager confirmed that the number of fundamental recommendations had fallen from 18 to 6 compared to last year. Seven recommendations had been rejected by management, the reasons for rejection in 3

of the cases were not accepted and it was considered that the identified risks were not being managed or mitigated. No fundamental recommendations had been rejected.

17.4 The Audit Service Manager explained that she had qualified her overall opinion due to the significance of the ICT Infrastructure control issues identified. A further paper was requested in relation to the unsatisfactory assurance given for the sales ledger.

17.5 In response to a query the Section 151 Officer explained that the audit for ip&e had been done early in the process but it was hoped when a further review was undertaken it would no longer be unsatisfactory.

17.6 **RESOLVED:**

- a) That performance against the Audit Plan for the year ended 31 March 2015 be noted.
- b) To note that the system of internal control was operating effectively and could be relied upon when considering the Annual Governance Statement for 2014/15.
- c) To note the Audit Service Manager's qualified year end opinion on the Council's internal control environment for 2014/15 on the basis of the work undertaken and management responses received.

18 **Review of Shropshire Council's Code of Corporate Governance 2014/15**

18.1 The Committee received the report of the Engagement Auditor (copy attached to the signed Minutes), which clearly identified how the Council achieved effective Corporate Governance in 2014/15.

18.2 **RESOLVED:** To note that the Council has very strong compliance with the Code of Corporate Governance.

19 **Annual Governance Statement and a review of the effectiveness of the Council's system of internal control 2014/15**

19.1 The Committee received the report of the Section 151 Officer (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. An amended page of the Statement was circulated at the meeting which included a late submission.

19.2 The Section 151 Officer drew attention to the six core principles set out in paragraph 5.3 of the report together with the officers from whom further key assurances were provided (Paragraph 5.7). The Section 151 Officer briefly took Members through the main issues and challenges facing the Council, as set out at Paragraph 5.10.

19.3 **RESOLVED:** That the Annual Governance Statement 2013/14 be approved.

20 **Annual review of the effectiveness of the system of Internal Audit and Quality Assurance and Improvement Programme (QAIP) 2014/15**

20.1 The Committee received the report of the Section 151 Officer (copy attached to the signed Minutes) which provided Members with the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards (PSIAS), compliance against which demonstrates an effective Internal Audit service.

20.2 The Section 151 Officer informed the Committee that the majority of standards had been fully complied with. The areas of non-compliance were detailed at paragraphs 5.7 to 5.9 of the report.

20.3 **RESOLVED:** To note the conclusion that the Council has an effective system of Internal Audit in place that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to ensure full compliance.

21 **Annual Assurance report of Audit Committee to Council 2014/15**

21.1 The Committee received the report of the Section 151 Officer (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 upon and which contributed to the high corporate governance standards expected by the Council and which had been consistently maintained.

21.2 **RESOLVED:** That the Draft Annual Assurance Report be approved and that Council be recommended to accept the contents of the report.

22 **External Audit: Pension fund audit plan 2014/15**

22.1 The Committee received 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.

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

23 **External Audit: Audit fee letter 2015/16**

23.1 The Committee received the report of the External Auditor (copy attached to the signed minutes), which set out details of the audit fee for the Council for 2015/16 along with the scope and timing of work to be undertaken by the External Auditors. The Council's scale fee for 2015/16 had been set by the Audit Commission at £133,845 compared to £177,390 for 2014/15.

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

24 **External Audit: Audit Committee update**

24.1 The Committee received the report of the External Auditor (copy attached to the signed minutes) which provided members with a report on progress together with a summary of emerging national issues and developments which may be of relevance to the Council and also included several challenge questions in respect of the emerging issues which the Audit Committee may wish to consider in their future work or training programmes.

24.2 The External Audit Manager drew attention to the progress to date and to proposals to bring forward the closure and audit of local authority accounts.

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

25 Date and Time of Next Meeting

25.1 **RESOLVED:** That the next meeting of the Audit Committee be held on 17 September 2015 at 9:30 am.

26 Exclusion of Press and Public

26.1 **RESOLVED:** That in accordance with the provision 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 as defined by the categories specified against them.

27 Exempt Minutes

27.1 **RESOLVED:** That the Exempt Minutes of the meeting held on 5 June 2015 be approved and signed by the Chairman as a correct record.

28 IT Revised Implementation Plan for audit recommendations

28.1 The Committee received the exempt report of the Head of Programme Management (copy attached to the exempt signed minutes) which provided Members with a revised update on progress made on recommendations outlined in previous Internal Audit reports.

28.2 **RESOLVED:** That the contents of the exempt report be noted.

29 Fraud and Special Investigation and RIPA Update June 2015 (Exempted by Categories 2, 3 and 7)

29.1 The Committee received the exempt report of the Engagement Officer which provided an update on the current fraud and special investigations undertaken by the Internal Audit Team together with an update on the RIPA activity since the last meeting.

29.2 **RESOLVED:** That the contents of the exempt report be noted.

Signed (Chairman)

Date: