



Committee and Date

Audit Committee

18 February 2016

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 NOVEMBER 2015
9.30AM - 12.30PM**

Responsible Officer: Michelle Dulson

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Present

Councillor Brian Williams (Chairman)

Councillors Michael Wood (Vice Chairman), John Cadwallader and Chris Mellings

Also Present

Councillor Pamela Moseley

53 Apologies for Absence / Notification of Substitutes

53.1 None received.

54 Disclosable Pecuniary Interests

54.2 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.

55 Minutes of the previous meetings held on the 17 September 2015

55.1 It was confirmed that the word 'contacts' in the second sentence of paragraph 38.3 should read 'contracts'.

55.2 RESOLVED:

That the minutes of the meetings held on 17 September 2015 be approved and signed by the Chairman as a correct record, subject to the above.

56 Public Questions

56.1 There were no public questions.

57 Management Report: Council tax and non-domestic rates performance monitoring report

57.1 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 National Non Domestic

Rates (Business Rates) income for the year to 31 March 2015, together with progress on the year to 31 March 2016.

- 57.2 The Revenues and Benefits Service Manager reported that the final collection rate for council tax for 2014-15 was 98.3% which compared favourable to the previous year's collection rate of 98.1%. In the year to 9 November 2015, 73.7% of council tax had been collected compared to 73.6% for the equivalent period last year. The total arrears for council tax as at 31 March 2015 stood at £8.6m but as at 1 November 2015 this had reduced to £6.7m.
- 57.3 In respect of Business Rates (NNDR), the Revenues and Benefits Service Manager stated that the final in-year collection rate for 2014/15 was 98.7% which again compared favourably with the previous year's collection rate of 98.3%. In the year to 9 November 2015, 75.5% of business rates debt had been collected compared to 73.1% for the equivalent period last year. The total arrears for Business Rates as at 31 March 2015 stood at £3.4m and as at 1 November 2015 this had reduced to £3m.
- 57.4 The Revenues and Benefits Service Manager drew attention to the difficulties collecting Council Tax and Business Rates over 12 months as opposed to the usual 10 months. In response to a query the Revenues and Benefits Service Manager explained that collection rates were slightly ahead of the previous year due in part to Council Tax payers being educated over a period of time that if they consistently did not pay, the Council would follow this up quickly and attempt to set up a proper recovery timetable etc.
- 57.5 Concern was raised about the level of aged debts and reference was made to an external audit consultation looking at improving the efficiency of collection rates. The Revenues and Benefits Service Manager was requested to attend a future meeting to discuss the results of this consultation. He was also requested to expand his analysis in future reports to cover the points raised by Members.
- 57.6 **RESOLVED:** That the contents of the report be noted.

58 **Management Report: Treasury Strategy Mid-Year Report 2014/15**

- 58.1 The Committee received the report of the Head of Finance, Governance and Assurance (S151 Officer) – copy attached to the signed Minutes – which informed Members of the Treasury activities of the Council for the first six months of the financial year.
- 58.2 The Head of Finance, Governance and Assurance (S151 Officer) reported that the internal treasury team had achieved a return of 0.58% on the Council's cash balances, outperforming the benchmark by 0.22%. The Council currently had £150m held in investments and borrowing of £332m however with interest rates being very low the Council was not getting any benefit from this.
- 58.3 In response to a query, the Head of Finance, Governance and Assurance (S151 Officer) reported that he meets on a monthly basis with the Pension Fund Managers who believed that investor confidence was increasing despite the slow-down in China, which was still a massive economy.

58.4 In response to a query about plans to develop a new capital programme, the Head of Finance, Governance and Assurance (Section 151 Officer) explained that over the last three or four years there had generally been a significant slow-down and very little major schemes had been added to the existing capital programme. He reported that three major schemes had now been identified however no figures had been attached as yet and there were another five large schemes on the horizon.

58.5 A query was raised about whether it would be worthwhile the Council paying back some of its borrowing whilst bank interest rates were so low. The Head of Finance, Governance and Assurance (Section 151 Officer) explained that they regularly looked at re-profiling the Council's finances however PWLB redemption conditions made it impossible to redeem these loans. He agreed to include a session on treasury management in the Committees' next training session.

58.6 RESOLVED:

That the position as set out in the report be accepted and that Members note that any capital schemes brought forward that would impact on the current strategy would need to be approved by Council.

59 Internal Audit: National Fraud Initiative Update

59.1 The Committee received the report of the Engagement Auditor – copy attached to the signed Minutes – which provided an update on the outcomes of the 2014/15 National Fraud Initiative (NFI), the results of which were reported to and monitored by the Cabinet Office (previously by the Audit Commission) using their secure NFI website.

59.2 The Engagement Auditor confirmed that savings of £5,096.53 had been identified so far during the 2014/15 exercise which had reduced significantly compared to 2012/13 due to the transfer of housing benefit fraud investigations to the Single Fraud Investigation Services.

59.3 It was reported that 17 days had been spent investigating the data matches and that the fee for participating in this mandatory exercise for 2014/15 was £3,650.00. The Engagement Auditor then took members through the significant matches identified and set out at paragraph 6.5 of the report.

59.4 In response to a query it was confirmed that the Registrar did have a duty to notify the Local Authority of a death, however the majority of matches were due to a timing issue between the data being submitted and the matches being returned.

59.5 The Engagement Auditor explained how the public were informed that their data was used for the purpose of detecting fraud and Members felt that awareness of this ought to be widened.

59.6 RESOLVED:

That the contents of the report be noted.

60 Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy

- 60.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which outlined the measures undertaken in the last year to evaluate the potential for the occurrence of fraud and how the Council managed those risks with the aim of prevention, detection and subsequent reporting of fraud and corruption. It also informed Members that the Counter Fraud, Bribery and Anti-Corruption Strategy had been reviewed in line with best practice and continued to underpin the Council’s commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on or from within the Council, thus demonstrating the strategy’s continuing and important role in the corporate governance and internal control framework.
- 60.2 The Audit Service Manager confirmed that the Council was meeting the standard set out in the CIPFA Code of Practice on managing the risk of fraud and corruption. She then drew attention to the main changes identified within the strategy and the revised RIPA Policy.
- 60.3 **AGREED:**
- To endorse the measures undertaken and detailed in the report together with the revisions to the Counter Fraud, Bribery and Anti-Corruption Strategy.

61 Annual review of Audit Committee Terms of Reference

- 61.1 The Committee received the report of the S151 Officer – copy attached to the signed Minutes – which set out minor changes being proposed to the Audit Committee Terms of Reference.
- 61.2 It was noted that when the Terms of Reference had been reviewed the previous year the word ‘Members’ had been added to Paragraph 44 however this had been omitted from the Terms of Reference attached at Appendix A.
- 61.3 **RESOLVED:**

That the current Audit Committee Terms of Reference be endorsed.

62 Annual Audit Committee self-assessment of good practice

- 62.1 The Committee received the report of the S151 Officer – copy attached to the signed Minutes – which requested Members to review and comment on the self-assessment questionnaire which allowed them to demonstrate the effectiveness of the Audit Committee and to identify whether there were any further improvements that could be made to improve the Committee’s overall effectiveness.
- 62.2 The Chairman took the Committee through the self-assessment questionnaire set out at Appendix A to the report. The Audit Service Manager agreed to share with Members the evidence which backed up the self-assessment responses. Members agreed that they would revisit the detail behind the Committee’s self-assessment as part of their training every second year.
- 62.3 **RESOLVED:** That the self-assessment questionnaire be approved.

63 Internal Audit Charter, annual review

63.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which set out the changes being proposed to the Internal Audit Charter.

63.2 RESOLVED:

That the Internal Audit Charter be endorsed.

64 Internal Audit performance report and revised Annual Audit Plan 2015/16

64.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which provided Members with an update of the work undertaken by Internal Audit in the two months since the last report in September 2015 and summarised the progress against the Internal Audit Plan.

64.2 The Audit Service Manager informed the meeting that 58% of the revised plan had been completed which was in line with the target of 90% by year end. She reported that twelve good and reasonable assurance opinions had been issued together with eleven limited and one unsatisfactory assurance opinion. She went on to say that twenty four final reports had been issued which contained 335 recommendations, none of which were fundamental.

64.3 The Audit Service Manager explained that the original plan had provided a total of 2,068 days however this had been revised down to 1,939 days due to the resignation of a member of staff and a planned maternity leave from March 2016. Also, no contingency had been put in for transformation work which had been unknown at the time. She then drew attention to the lower assurance levels in Children's Services and Customer Involvement which were considered to be low risk and would not affect the overall year end opinion.

64.4 Turning to the Council's Direction of Travel, the Audit Service Manager reported that comparison of assurance levels since 2013/14 demonstrated a falling level of overall control (30% good assurance in 2013/14 compared to 8% in 2015/16 to date; and 15% limited assurances in 2013/14 compared to 41% in 2015/16 to date).

64.5 The Chairman raised concerns in relation to the Council's Direction of Travel, which although not unexpected, he was nonetheless concerned whether other Members of the Council were generally aware that the required standards of control were lower/not being met and he wished for all Members to be made aware that the level of operational assurances were falling.

64.6 In response to a query about what was being done about the falling level of assurances, the Audit Service Manager informed the Committee that she had raised this issue with the Directors who realised that it was a consequence of redesign and reducing resources, they were aware of the situation and were concerned but were not clear how to manage it differently and felt that the situation may get worse before it got better.

64.7 The Section 151 Officer explained that the Directors were concerned about the Direction of Travel and had made a commitment that those areas highlighted as having limited and unsatisfactory assurance levels would be dealt with and additional resources allocated where necessary. The processes were still effective but the Council was in a period of change and it was felt that things would continue in this vein for the foreseeable future. The situation was therefore understood but it was accepted that nothing could be done to mitigate the risks.

64.8 The Chairman queried the action that could be taken to draw attention to the current situation. It was agreed for the Section 151 Officer and the Chairman to ensure that the Portfolio Holder was fully apprised of the situation and the content of the report and be requested to consider whether he would like to address Cabinet. The Committee also requested that the Portfolio Holder be invited to attend the next meeting of the Audit Committee in order to discuss the way forward and that the Audit Service Manager be requested to present a report highlighting the issues raised in various audit areas for the next meeting.

64.9 Concern was also raised about the detrimental effect on staff morale arising from the reduction in manpower across the authority.

64.10 RESOLVED:

- a) That performance to date against the 2015/16 Audit Plan as set out in the report be noted;
- b) That the adjustments required to the 2015/16 plan to take account of changing priorities, as set out in Appendix B of the report, be endorsed; and
- c) That the concerns of the Committee in relation to the deteriorating levels of assurance and the downwards Direction of Travel be drawn to the attention of the Portfolio Holder, and that he be requested to attend the next meeting of the Audit Committee in order to discuss the way forward.

65 External Audit: Annual Audit Letter 2014/15 Shropshire Council

65.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – which summarised the findings arising from the work carried out for the year ended 31 March 2015 in relation to the financial statements of both the Council and the Pension Fund and the Value for Money conclusion.

65.2 The External Audit Manager took Members through the report and highlighted the salient points. She drew attention to the key messages set out on page 7 of the report and confirmed that the fee for 2014/15 was £178,460, excluding VAT.

65.3 The Chairman was pleased to note the unqualified opinion given by External Audit. He commented that Appendix B had been very useful and he was pleased that this would become a regular feature of future External Audit reports.

65.4 In response to a query about how achievable the Council's savings plan was thought to be, following the work done on the Council's Value for Money conclusion, the External Audit Manager confirmed that the savings plans were felt to be achievable

and realistic. The payback period had been changed slightly however this was part of the Medium Term Financial Plan and as such was accepted as reasonable. External Audit were aware that there had been some changes to the way Services were being delivered, so not all of the savings were coming through straight away but hopefully they would come through eventually. She went on to say that the Council still had very healthy reserves during a very uncertain and transitional time and that any concerns would be discussed with Officers.

65.5 RESOLVED:

That the contents of the report be noted.

66 External Audit: Audit Committee update

66.1 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. It also included several challenge questions in respect of the emerging issues which the Audit Committee may wish to consider in its future work or training programmes.

66.2 The External Audit Manager informed the Committee that the Chief Executive and Section 151 Officer were attending their Birmingham offices the following day to benefit from the CEO room where independent business and public sector experts would be available to discuss where the Council was going strategically. She also reported that a workshop was being developed to consider devolution from rural areas.

66.3 RESOLVED:

That the contents of the report be noted.

67 Date and Time of Next Meeting

67.1 Members were reminded that the next meeting of the Audit Committee would be held on the 18 February 2016 at 9.30am.

68 Exclusion of Press and Public

68.1 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 as defined by the categories specified against them.

69 Exempt minutes of the previous meeting held on the 17 September 2015

69.1 RESOLVED:

That the exempt minutes of the meetings held on 17 September 2015 be approved and signed by the Chairman as a correct record.

70 Management Report: IT Update Report (Exempted by Category 3)

70.1 The Committee received the exempt report of the Interim ICT Manager – copy attached to the signed Minutes - which provided a brief update on the current situation.

70.2 RESOLVED:

That the contents of the report be noted.

71 Internal Audit: Fraud and Special Investigation Update (Exempted by Categories 2, 3 and 7)

71.1 The Committee received the exempt report of the Engagement Auditor – copy attached to the signed Minutes – which provided an update on current fraud and special investigations undertaken by Internal Audit and on current Regulation of Investigatory Powers Act (RIPA) activity.

71.2 RESOLVED

That the contents of the report be noted.

Signed (Chairman)

Date: