

**Committee and Date**

Audit Committee

26 November 2015

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 17 SEPTEMBER 2015
10.50 AM - 12.55 PM**

Responsible Officer: Tim Ward
Email: tmward@shropshire.gov.uk Tel: 01743 257713

Present

Councillor Brian Williams (Chairman)
Councillors John Cadwallader, Chris Mellings, Robert Macey (Substitute) (substitute for Michael Wood) and Pamela Moseley (Substitute) (substitute for Mansel Williams)

34 Apologies for Absence / Notification of Substitutes

34.1 Apologies for absence were received from Councillors Mansel Williams and Michael Wood

34.2 Councillor Pamela Moseley substituted for Councillor Williams and Councillor Robert Macey substituted for Councillor Wood

35 Disclosable Pecuniary Interests

35.1 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.

36 Minutes of the previous meeting held on the 25 June 2015**36.1 RESOLVED:**

That the minutes of the meeting held on 25 June 2015 be approved and signed by the Chairman as a correct record

37 Public Questions

37.1 There were no public questions

The Chairman expressed his concern at the number of reports that were received after the publication of the agenda and asked Officers to ensure that Members received reports in good time to enable them to consider them fully.

38 Management Report on Programme Controls and Risks and the Top Fifty Contracts Controls and Risks

- 38.1 The Committee received the report of the Director of Commissioning – copy attached to the signed Minutes – which updated Members on the existing and emerging assurance and management controls and risk management arrangements within the Council.
- 38.2 The Director of Commissioning reminded Members that since April 2014 ip&e Ltd. had provided the Council's programme management and service re-design functions and that following a review of how key decisions around commissioning activity were made across the Council, a Commissioning Directors' Group had been formed to take overall responsibility for all strategic commissioning activity. He advised that this Group would report back to Council, Cabinet and Audit Committee, where appropriate.
- 38.3 The Director of Commissioning informed Members that the Strategic Contract Monitoring Group had been set up to ensure appropriate contract management and good governance in relation to the management of the strategic contract held between Shropshire Council and ip&e Ltd. He advised that the Group did not monitor individual contracts, a role that was undertaken by the service specific contract monitoring groups, but that it did receive appropriate information on individual contracts to advise the Group's discussions, where appropriate.
- 38.4 The Director of Commissioning commented that as the Council moved to be a commissioning organisation it was increasingly important that decisions were based on robust information, and that commissioned services and contracts were managed in a consistent way. He advised members that a Commissioning Support Unit was being developed to provide this information and that Members of the unit would work closely with Commissioners in the first instance to ensure they had the necessary information to support their work.
- 38.5 The Director of Commissioning reminded Members that a "Commissioning Approach" had been developed to enable services to be commissioned out of Shropshire Council in a consistent and robust way. He advised that a recent review of the approach had been undertaken to look at the relationship with the "Enabling Services" element of the strategic contract with a view to maximising its effect. He added that a process for determining an "Enabling Services" request had been developed along the same lines as the Commissioning Approach and that the Group had also reviewed and updated the guidance around decommissioning of services and had developed a checklist to ensure that all the necessary tasks were completed in order to ensure a robust and safe process.
- 38.6 The Chairman thanked the Director of Commissioning for his report and commented that it had been helpful in understanding the evolution of the commissioning process.
- 38.7 **RESOLVED:**
- That the contents of the report be noted

39 Management Report on Housing Benefit Overpayment Performance

- 39.1 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 housing benefit overpayments for the year 2014 – 15.
- 39.2 The Revenues and Benefits Service Manager advised Members that in the year 2014/15 invoices to the value of £3,969,891.11 had been created, with £2,792,605.45 being recovered with a further £127,265.32 being written off.
- 39.3 The Revenues and Benefits Service Manager informed Members that at the 31 July 2015 the total amount outstanding, including previous years was £5.4 million, an increase of £1.1 million on the previous year. This rise was due to a number of factors around improved data and information collection which had led to more discrepancies being identified. He advised that, in order to deal with the higher level of overpayments, additional functionality had been purchased for the benefits system which enabled Officers to ensure that outstanding amounts were recovered at the appropriate rates, and that Housing Benefit Overpayment Recovery Team had been merged with the Revenues Recovery Team. He commented that this work had enabled the production of improved management information which was reviewed by managers on a monthly basis.
- 39.4 In response to a query, the Revenues and Benefits Service Manager advised that the level of repayment rate and timescales for repayment varied according to individual circumstances.
- 39.5 **RESOLVED:**

That the report be noted.

40 Sales Ledger update on progress implementing improved management controls

- 40.1 The Committee received the report of the Head of Financial Management and Reporting – copy attached to the signed Minutes – which provided an update on progress with implementing improved management controls within Sales Ledger in order to address the “unsatisfactory” assurance opinion given in the Internal Audit review carried out in May 2015.
- 40.2 The Head of Financial Management and Reporting reminded Members that the review had highlighted one “fundamental” and six “significant” recommendations and outlined what was being done to address the concerns raised.
- 40.3 In answer to a query the Head of Financial Management and Reporting stated that there was currently £10.5 million of aged debt and £6.5million current debt, and that a debt was considered to be aged once the debtor had received two reminders.
- 40.4 The Chairman thanked the Head of Financial Management and Reporting for her report and commented that he was pleased that the Audit recommendations were being addressed.

40.5 RESOLVED:

That the progress made since May 2015 in addressing Internal Audit recommendations be noted.

41 External Audit: Shropshire Council Audit Findings 2014/15

41.1 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 2015.

41.2 The Engagement Lead advised that, since the publication of the report, certain matters had been brought the attention of the external auditors which had meant that the audit could not be formally concluded until these matters had been fully considered. He was however satisfied that the matters in question did not have a material effect on the financial statements or a significant impact on the Value for Money conclusion. He distributed an updated report and drew Members' attention to the amended paragraphs.

41.3 RESOLVED:

That the satisfactory audit opinion and Value for Money conclusion be noted.

42 Audited Annual Statement of Accounts 2014/15

42.1 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 outturn position for the financial year 2014/15 to be confirmed by Council on the 24 September 2015.

42.2 The Head of Finance, Governance and Assurance (Section 151 Officer) reported that there had been no material changes to the main accounting statement since the version considered by the Committee in June.

42.3 RESOLVED:

- That the 2014/15 Statement of Accounts be approved and that the Chairman of the Council be recommended to sign them in accordance with the requirements of the Accounts and Audit Regulations 2015.
- That the Head of Finance, Governance and Assurance be authorised to make any minor adjustments to the Statement of Accounts prior to the 30th September 2015.
- That the Head of Finance, Governance and Assurance and the Chairman of the Audit Committee be authorised to sign the letter of representation in relation to the financial statements on behalf of the Council and send to the External Auditor.

43 Annual Treasury Report 2014/15

43.1 The Committee received the report of the Head of Finance, Governance and Assurance – copy attached to the signed Minutes – which informed Members of the treasury activities for Shropshire Council for 2014/15.

42.2 The Head of Finance, Governance and Assurance advised Members that the Internal Treasury Team had outperformed their investment benchmark by 0.26% in 2014/15 and that performance for the last three years was 0.38% per annum above benchmark. He reported that during the year 204/15 the performance or the Treasury team had delivered an underspend of £0.673 million compared to budget which had contributed to the overall underspend achieved by the Council at year end.

43.3 **RESOLVED:**

That the position as set out in the report be accepted.

44 Risk Annual Report 2014/15

44.1 The Committee considered the report of the Risk and Insurance Manager – copy attached to the signed Minutes – which set out the challenges and achievements accomplished by the Risk Management Team during 2014/15.

44.2 The Risk and Insurance Manager informed Members that following an audit of risk management an assurance level of “reasonable” had been identified with two recommendations; one significant relating to the monitoring of operation risks, as a result of which, a new process for the management of operation risk and robust reporting had been introduced, and one of best practice around the consideration of a bespoke Risk Management software package. She added that due to cost and the lack of availability of a suitable package this would not take place in the foreseeable future.

44.3 The Risk and Insurance Manager advised that there had been a reduction of 29% in insurance claims compared with the previous year which was mainly due to the reduction in public liability claims due to the milder winter and an increase in funding for highways repairs.

44.4 In response to a query regarding illustration 4, the Risk and Insurance Manager clarified that the year stated in the table was the year when the liability occurred not necessarily the year the claim was made. She commented that the majority of the older claims were disease related claims and that claimants had 3 years to claim from the date of diagnosis.

44.5 **RESOLVED:**

That the position as set out in the report be accepted.

45 Strategic Risks Update

45.1 Members considered the report of the Risk and Insurance Manager – copy attached to the signed Minutes – which set out the current strategic risk exposure

and advised of recent modifications and planned changes to the management of strategic risk within the authority.

45.2 The Risk and Insurance Manager stated that strategic risks were reviewed on a monthly basis and reported to relevant officers, Directors and the Resources & Support Portfolio Holder through monthly meetings. She informed Members that there were currently 13 risks identified on the strategic risks register.

45.3 The Risk and Insurance Manager advised that the Risk Management Team continuously monitored the most appropriate and effective way to manage the Council's risk exposure and that with the adoption of a thematic approach by Directors to support the direction of travel for the authority, changes to how the management of strategic risk exposure going forward were being implemented. It was proposed that the strategic risks would be managed by identifying which of the three key themes they related to and, once identified, strategic risks would also be identified as inward or outward facing risks.

45.4 **RESOLVED:**

That the position as set out in the report be accepted.

46 **Internal Audit Plan Performance Update 2015/16**

46.1 Members received the report of the Audit Service Manager – copy attached to the signed Minutes – which set out refinements and revisions to the Internal Audit Plan and provided details of work undertaken by Internal Audit for the period 1 April to 23 August 2015.

46.2 The Audit Service Manager informed the meeting that the new Plan would provide 2,068 audit days across the Council's services and external clients compared with 2,050 days in the draft Plan published in February. She advised that this was due to the fact that there had been a number of changes in the risks faced by the Council which had resulted in slight adjustments to the areas requiring assurances from Internal Audit.

46.3 The Audit Service Manager advised Members that 37% of the revised Plan had been completed which was in line with previous delivery records, and that 21 good and reasonable assurances, 15 unsatisfactory and 3 limited assurance opinions were issued and that the 39 final reports contained 594 recommendations. She added that two fundamental recommendations had been identified.

46.4 **RESOLVED:**

- a) That the performance to date against the 2015/16 Audit Plan be noted
- b) That the adjustments required to the 2015/16 Plan as set out in Appendix B to the report, be approved.

47 External Audit: Shropshire County Pension Fund Audit Findings Report 2014/15

47.1 Members received The External Audit Findings for Shropshire County Pension Fund (copy attached to the signed Minutes). They were reminded that the Committee received the report for information and that the report would be considered fully by the Pensions Committee

47.2 RESOLVED

That the Report be noted.

48 External Audit: Audit Committee update

48.1 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.

48.2 The External Audit Manager drew attention to the progress to date and also drew Members' attention to several publications which may be of interest.

48.3 RESOLVED:

That the contents of the report be noted.

49 Date and Time of Next Meeting

49.1 Members were reminded that the next meeting of the Audit Committee would be held on the 26 November 2015 at 9.30 am in the Ludlow Room.

50 Exclusion of Press and Public

50.1 RESOLVED

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

51 Exempt Minutes of the previous meeting held on the 25 June 2015

51.1 RESOLVED:

That the exempt minutes of the meeting held on 25 June 2015 be approved and signed by the Chairman as a correct record.

52 Fraud and Special Investigation Update September 2015 (Exempted by Categories 2, 3 and 7)

52.1 Members 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.

52.2 RESOLVED

That the contents of the report be noted.

Signed (Chairman)

Date: