



Committee and Date

Audit Committee

12 September 2019

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 JUNE 2019

1.30 - 4.05 PM

Responsible Officer: Michelle Dulson

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Present

Councillors Peter Adams (Chairman), Ioan Jones, Chris Mellings, Brian Williams (Vice Chairman) and Michael Wood

5 Apologies for Absence / Notification of Substitutes

5.1 There were no apologies for absence received

6 Disclosable Pecuniary Interests

6.1 The Chairman reminded Members that they must not participate in the discussion or voting on any matter in which they may have a disclosable pecuniary interest and should leave the room prior to the commencement of the debate

7 Minutes of the previous meetings held on the 25 February 2019 and 16 May 2019

7.1 The minutes of the meeting held on 25 February 2019 and 16 May 2019 had been circulated.

7.2 RESOLVED:

That the minutes of the meetings of the Audit Committee held on 25 February 2019 and 16 May 2019 be approved and signed by the Chairman as a correct record.

8 Public Questions

8.1 No public questions had been received.

9 First Line Assurance: Digital Transformation Update

9.1 The Committee received the report of the Director of Workforce and Transformation (copy attached to the signed minutes) which gave an update on each of the projects within the Digital Transformation Programme

9.2 The Director of Finance, Governance and Assurance (Section 151 Officer) advised the meeting that all 4 core projects within Business World were live to a greater or lesser extent and that with regard to the Social Care project all adult and children's

social care cases had been migrated to the new system with no major issues arising during the process.

- 9.2 In response to a query the Director of Finance, Governance and Assurance (Section 151 Officer) informed members that a full breakdown of the costs of the projects and the savings achieved should be available by the end of the current financial year and a report would be brought to the Committee

9.3 **RESOLVED:**

That Members note the progress of the Transformation Programme to date.

10 **First Line Assurance: Commercial Strategy Update**

- 10.1 Members received the report of the Assistant Director – Commercial Services (copy attached to the signed minutes) which gave an update on the Commercial Strategy.

- 10.2 The Assistant Director – Commercial Services reminded Members that the Council had approved its first Commercial Strategy in 2017 and outlined the work that was currently being undertaken to update the strategy and advised that a report would be taken to Cabinet in the Autumn. He advised the meeting that a Commercial Investment Manager had been appointed in May who would identify and develop further projects to achieve targets set in the strategy, and that a team of specialists would be recruited to assist with this.

- 10.3 In response to a query the Assistant Director – Commercial Services stated that the Commercial Investment Manager reported to the Director of Place and provided quarterly performance monitoring reports

- 10.4 In response to a question the Assistant Director – Commercial Services confirmed that there were currently 10 income generating projects being developed.

- 10.5 Members asked that a further update report be brought to the December meeting of the Committee

10.6 **RESOLVED:**

a) That the contents of the report be noted

b) That a further update report be brought to the December meeting

11 **Second Line Assurance: Annual Whistleblowing Report**

- 11.1 The meeting received the report of the Director of Workforce and Transformation (copy attached to the signed minutes) which provided an update on the number of whistleblowing cases raised over the last year

- 11.2 Members were advised that in the year 2018/19 there were 33 cases reported under the whistleblowing arrangements which was a 51% increase on the previous year. Eighteen cases resulted in “no case to answer” and in 10 cases there was not enough evidence to proceed or the case was dealt with under another policy. This year there has been a variety of different type of concerns raised from fraud,

pot holes to housing allocations and all have been managed appropriately through this route.

11.3 RESOLVED:

That the contents of the report be noted

12 Third Line Assurance: Internal Audit Annual Report 2018/19

- 12.1 Members received the report of the Head of Audit (copy attached to the signed minutes) which provided details of the work undertaken by Internal Audit for the year ended 31 March 2019, and details of delivery against the approved annual audit plan.
- 12.2 The Head of Audit advised members that more than the 90% delivery target had been achieved which was in compliance with the Public Sector Internal Audit Standards (PSIAS) and that 67% of the opinions delivered had been good or reasonable, a 3% increase on the previous year.
- 12.3 The Head of Audit confirmed that, based on the Internal Audit work undertaken and management responses received, she could offer reasonable assurance for the 2018/19 year that the Council's framework for governance, risk management and internal control is sound and working effect. She stated that risks were well managed but there were some areas which required improvement to internal controls to ensure the achievement of the Council's objectives. 2018/19 has been a challenging year given the level of key fundamental line of business system changes delivered (social care, customer services, financial and human resources) and the embedding of these continues. Alongside the challenge to deliver savings and increase income (Commercial and Digital Transformation).
- 12.4 A Member asked that further reports on Liquid Logic and Children's Direct Payments be brought to the next meeting.

RESOLVED:

- a) That performance against the Audit Plan for the year ended 31 March 2019 be noted.
- b) To note that Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, taking into account public sector internal auditing standards or guidance, the results of which can be used when considering the internal control environment and the Annual Governance Statement for 2018/19.
- c) To note the Head of Audit's reasonable assurance, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2018/19 based on the work undertaken and management responses received.
- d) That further reports on Liquid Logic and Children's Direct Payments be brought to the next meeting

13 Overall Assurance: Annual Governance Statement and a Review of the effectiveness of the Council's Internal Controls and Shropshire Council's Code of Corporate Governance 2018/19

13.1 Members received the report of the Director of Finance Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) which set out the Annual Governance Statement (AGS) and a review of the effectiveness of the Council's Internal Controls and Shropshire Council's Code of Corporate Governance 2018/19

13.2 The Director of Finance, Governance and Assurance (Section 151 Officer) advised members that under the Accounts and Audit Regulations 2015, Regulation 6, the Council had to produce an Annual Governance Statement (AGS) to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Head of Paid Service, and that this statement should be considered after a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations.

13.3 RESOLVED:

A. That the Annual Governance Statement 2018/19 as set out in Appendix A of the report be approved

B. That the Internal Audit conclusion that the Council has reasonable evidence of compliance with the Code of Corporate Governance be noted

14 Second Line Assurance: Financial Outturn Report 2018/19

14.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) which provided details of the revenue and capital outturn position for Shropshire Council for 2018/19.

14.2 The Director of Finance, Governance and Assurance (Section 151 Officer) informed the meeting that the revised position showed a total underspend of £0.167m which represented a 0.03% variance on budget. He advised that the outturn capital expenditure for the year 2018/19 was £50.975M which represented 76% of the reprofiled capital budget. He confirmed that the underspend had been carried forward to the 2019/20 programme.

14.3 Members expressed concern at the spike in variance to budget at the end of the first quarter and asked whether this could be lessened. The Director of Finance, Governance and Assurance (Section 151 Officer) stated that the spike was generally caused by the identification of issues and areas of concern which could then be addressed.

14.4 RESOLVED:

That Members:

- A. Note that the outturn for the revenue budget for 2018/19 is a controllable underspend of £0.167m. This represents 0.03% of the original gross budget of £561.950m.
- B. Note that the level of the General Fund balance after adjusting for the outturn underspend and insurance position stands at £15.537m, which is above the anticipated level assessed in February 2019.
- C. Note that the Outturn for the Housing Revenue Account for 2018/19 is an underspend of £3.859m and the level of the Housing Revenue Account reserve stands at £9.813m (2017/18 £8.225m).
- D. Note the increase in the level of Earmarked Reserves and Provisions (excluding delegated school balances) of £4.986m in 2018/19 and the reasons for this.
- E. Note that the level of school balances stand at £4.178m (2017/18 £5.381m).
- F. Approve net budget variations of £0.848m to the 2018/19 capital programme, detailed in Appendix 5 / Table 11 and the re-profiled 2018/19 capital budget of £60.703m.
- G. Approve the re-profiled capital budgets of £69.243m for 2019/20, including slippage of £15.728m from 2018/19, £22.181m for 2020/21 and £16.001m for 2021/22 as detailed in Appendix 5 / Table 15.
- H. Accept the outturn expenditure set out in Appendix 5 of £50.975m, representing 76% of the revised capital budget for 2018/19.
- I. Approve retaining a balance of capital receipts set aside of £20.515m as at 31st March 2019 to generate a one-off Minimum Revenue Provision saving of £0.621m in 2019/20.

15 Second Line Assurance: Approval of the Council's Statement of Accounts 2018/19

- 15.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) which provided an overview of the Accounts for the year 2018/19 and details of the reasons for the most significant changes between the 2017/18 Accounts and the 2018/19 Accounts.
- 15.2 Members were reminded that the 2018/19 Statement of Accounts had been prepared in line with the faster closedown timetable introduced in the Accounts and Audit Regulations 2015 and that the external audit of the accounts was currently being undertaken and that any material changes as a result of the audit would be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the External Auditor.
- 15.3 A Member queried why the number of creditors had gone up, the Director of Finance, Governance and Assurance (Section 151 Officer) advised that the transfer to Business World had necessitated the closure of the old system which had

resulted in a delay to payments which had created the increase in the number of creditors.

15.4 RESOLVED:

- A. That the contents of the draft 2018/19 statement of accounts be noted.
- B. That the additional accounting policy included in the Statement of Accounts for 2018/19 be noted.

16 Third Line Assurance: Annual Review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2018/19

- 16.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) which informed them of the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards.
- 16.2 The Director of Finance, Governance and Assurance (Section 151 Officer) drew Members attention to the mandatory Public Service Internal Audit Standards for all principal local authorities, and to the update set out in Appendix A. He also highlighted areas of potential non-conformance which had not changed from previous years

16.3 RESOLVED:

That the Committee note the conclusion that the Council employs an effective internal audit to evaluate its risk management, control and governance processes that complies with the principles of the Public Sector Internal Audit Standards and has planned improvement activities to work towards full compliance where appropriate.

17 Third Line Assurance: Annual Assurance Report of Audit Committee to Council 2018/19

- 17.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) which set out the Audit Committee's Annual Assurance Report to Council for 2018/19

17.2 RESOLVED:

That the Draft Annual Assurance Report for 2018/19 be approved and that Council be recommended to accept the contents of the report.

18 Third Line Assurance: External Audit: Pension Fund Audit Plan 2018/19

- 18.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) which provided a copy of the external audit plan for the Shropshire County Pension Fund for 2018 – 19

18.2 Members were advised that the Plan had been approved by the Shropshire Pensions Committee

18.3 **RESOLVED:**

That the contents of the report be noted

19 **Third Line Assurance: External Audit: Audit Fee Letter**

19.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) attached to which was a copy of the Audit Fee letter for 2019-20

19.2 The Director of Finance, Governance and Assurance (Section 151 Officer) advised Members that the Audit Fee for Shropshire Council for 2019/20 would be £103,061 and that the audit fee for the Shropshire County Pension Fund would be £18,039, both unchanged from last year.

19.3 **RESOLVED:**

That the contents of the report be noted

20 **Third Line Assurance: External Audit: Audit Progress Report and Sector Update**

20.1 Members received the report of the Director of Finance Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) attached to which was the Audit Progress Report and Sector Update which provided the Committee with a report on progress by Grant Thornton in delivering their responsibilities.

20.2 The Engagement Manager, drew Members attention to the progress to date and informed the Committee that they were on track to deliver the audit opinion and value for money conclusion by the due date. Finally, she confirmed that the audit deliverables were on track to be completed.

20.3 **RESOLVED:**

That the contents of the report be noted

21 **Date and Time of Next Meeting**

21.1 Members were reminded that the next meeting of the Audit Committee would be held on the 29 July 2019 at 1.30pm.

22 **Exclusion of Press and Public**

22.1 **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.

23 Exempt Minutes of the previous meeting held on 25 February 2019

23.1 The exempt minutes of the meeting held on 25 February 2019 had been circulated.

7.2 RESOLVED:

That the exempt minutes of the meeting of the Audit Committee held on 25 February 2019 be approved and signed by the Chairman as a correct record.

24 First Line Assurance: Theatre Severn Update (Exempted by Categories 1, 2 and 3)

24.1 Members received the report of the Interim Head of Culture and Heritage (copy attached to the exempt signed minutes) which gave an update on progress on audit recommendations for Theatre Severn

24.2 RESOLVED:

That the recommendations contained in the report be agreed

25 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3, 5 and 7)

25.1 The Committee received the exempt report of the Principal Auditor (copy attached to the exempt signed Minutes) which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

25.2 RESOLVED

That the contents of the report be noted.

Signed (Chairman)

Date: