



<u>Committee and Date</u>	3B
Audit Committee	
23 June 2016	

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 18 FEBRUARY 2016
10.45AM – 12.40PM**

Responsible Officer: Michelle Dulson
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Present

Councillors Brian Williams (Chairman), John Cadwallader, Pamela Moseley and David Turner

78 Apologies for Absence / Notification of Substitutes

78.1 Apologies for absence were received from Councillor Chris Mellings.

79 Disclosable Pecuniary Interests

79.1 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.

80 Minutes of the previous meeting held on the 26 November 2015

80.1 RESOLVED:

That the minutes of the meeting held on 26 November 2015 be approved and signed by the Chairman as a correct record.

81 Public Questions

81.1 There were no public questions.

82 Internal Audit Performance and Revised Annual Audit Plan 2015/16 – Ten Month Report

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

82.2 The Audit Service Manager informed the meeting that 79% of the revised plan had been completed which was in line with the target of 90% by year end. She reported

that eight good and reasonable assurance opinions had been issued together with nine limited and one unsatisfactory assurance opinion. She went on to say that eighteen final reports had been issued which contained 249 recommendations, none of which were fundamental.

82.3 The Audit Service Manager reported that some minor revisions to the plan had been proposed taking it from 1,939 days down to 1,932 days. She explained that the Council was still undergoing significant change in its operational approach so increased risk levels were inevitable however the situation was being monitored closely. She then drew attention to the limited assurance levels in Adult and Commissioning Services and the continuing lower assurance levels in Children's Services and Customer Involvement which were considered to be low risk and were not expected to affect the overall year end opinion. The direction of travel for ICT issues remained a cause for concern.

82.4 Turning to the Council's Direction of Travel in relation to the control environment, the Audit Service Manager reported that there had been an increased number of lower level assurances, 49% compared to 36% the previous year.

82.5 In response to a query it was confirmed that increased reputational risk was taken into account along with the overall strategic risks as reputational risks could increase within a particular service area whilst there was so much change happening and more risks being taken. The Audit Service Manager explained that the recommendations made in the final reports were discussed and agreed with Management. The Audit Service Manager went on to answer a number of queries from Members of the Committee in relation to how limited assurances were followed up and how managers performance was checked.

82.6 **RESOLVED:**

- A. To note the performance to date against the 2015/16 Audit Plan set out in the report.
- B. To note the adjustments required to the 2015/16 plan to take account of changing priorities set out in Appendix B to the report.

83 **Management Report: Strategic Risk Report 2016**

83.1 The Committee received the report of the Risk and Insurance Manager – copy attached to the signed Minutes – which set out the current strategic risk exposure of the Council and detailed recent movements within the register following the latest review.

83.2 The Risk and Insurance Manager informed the Committee that the number of strategic risks identified following the review had reduced from 16 to 12 and she drew attention to the Direction of Travel for each of these risks. It was confirmed that four of the risks had increased, two had been deleted and a new strategic risk added (Work Related Stress). There was a schedule of work in place to try to mitigate these risks.

83.3 In response to a query, the Risk and Insurance Manager explained that the risks were discussed with Senior Management as the risk owners.

83.4 RESOLVED:

That the contents of the report be noted and accepted.

84 Management Report: Treasury Strategy 2016/17

84.1 The Committee received the report of the Head of Finance, Governance and Assurance – copy attached to the signed Minutes – which set out the proposed Treasury Strategy for 2016/17 and the recommended Prudential Indicators for 2016/17 to 2018/19.

84.2 RESOLVED:

That the proposed Treasury Strategy for 2016/17 be approved.

85 Internal Audit Risk Management Report 2015/16

85.1 The Committee received the report of the Engagement Auditor - copy attached to the signed Minutes - which summarised the detailed findings identified in the Internal Audit review of risk management of which the overall control environment had been assessed as 'Good' with no control weaknesses identified.

85.2 RESOLVED:

That the findings from the Review of Risk Management by Internal Audit be endorsed and accepted.

86 Review of the Audit Committee's Annual Work Plan and Future Learning and Development Requirements 2016/17

86.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which provided a proposed Audit Committee work plan and sought discussion and agreement around a learning and development plan for Members to ensure that they were well informed and appropriately skilled to fulfil their role.

86.2 The Audit Service Manager informed the Committee that the work plan had been presented in a different format this year to better demonstrate how it contributed to delivery of the Committee's Terms of Reference and the assurances they provided. The Audit Service Manager drew attention to the proposed changes to the work plan which had been highlighted in bold and underlined and included whether appropriate accounting policies had been followed, a new annual report from the Director of Commissioning on programme controls and risks, a mid-year report on the direction of travel of internal control arrangements for IT Services together with IT Audit updates on work completed.

86.3 The Audit Service Manager turned to the Learning and Development Plan set out at Appendix B which identified training topics for Audit Committee Members to consider. She confirmed that the detail behind the Committee's self-assessment would be included as part of their training in October.

86.4 In response to a query it was confirmed that Treasury Management legislation required internal audit processes to go through a challenge process before going to the decision makers which was why Audit Committee received the same report as Cabinet.

86.5 RESOLVED:

- A. That the Work Plan for 2016/17 as set out in Appendix A be approved;
- B. That a learning and development plan for Members of the Committee taking into account information set out in Appendices A and B be approved.

87 Draft Internal Audit Annual plan 2016/17

87.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which provided Members with the proposed risk based Internal Audit Plan for 2016/17. The Audit Service Manager drew attention to the summarised Internal Audit Plan set out at Appendix A and confirmed that 1,270 days had been planned for Shropshire Council audit work and 200 days for external clients.

87.2 The Audit Service Manager reported that all fundamental system audit reviews, except for the Payroll System, would now be done on a cyclical basis after considering the risk profile for each area. She confirmed that the contingency for fraud investigations was being maintained at 200 days to reflect current activity levels. Turning to Schools, the Audit Service Manager explained that secondary schools were to be reviewed every four years with an alternative approach being taken to primary schools who were being asked to complete a self-assessment on a rolling five year basis.

87.3 It was confirmed that assurances could be sought from individual Managers for those areas of high priority for which no provision had been made in the plan, set out at Appendix C. In response to a query, the Audit Service Manager explained how decisions had been reached as to which areas of high priority to take out of the plan.

87.4 In response to a query, the Audit Service Manager explained that it was financially beneficial to the Council and to the other organisations to undertake third party audit work due to economies of scale. She confirmed that the service was generating sufficient income.

87.5 RESOLVED:

To endorse the approach taken to create the proposed Internal Audit Plan for 2016/17 and to approve its adoption.

88 External Assessment

88.1 The Committee received the report of the Audit Service Manager – copy attached to the signed Minutes – which set out the approach adopted for the external assessment required under the Public Sector Internal Audit Standards (PSIAS) to be undertaken every five years. The Audit Service Manager drew attention to the procurement exercise set out in the report and confirmed that Staffordshire Chief Auditors Group had invited Shropshire Council to join their arrangements with regards to the requirements of the external assessment. The specification would be going out to tender early this year, the results of which would be reported back to members.

88.2 RESOLVED:

That the Committee approve the approach adopted for the external assessment and agree that the final details of the assessment be agreed by the Section 151 Officer and Audit Services Manager in consultation with the Chairman of the Audit Committee.

89 External Audit: Audit Committee Update

89.1 The Committee received the report of the External Auditor - copy attached to the signed Minutes - which highlighted the progress made on work undertaken during the year and summarised the emerging national issues and developments of relevance to the Council.

89.2 RESOLVED:

That the contents of the Audit Committee Update Report for Shropshire Council be noted and accepted.

90 External Audit: Certification summary report 2014/15 Shropshire Council

90.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – detailing the Certification Work for 2014/15 relating to grants, subsidy and the return of financial information. It was noted that Grant Thornton had certified two claims and returns for the financial year 2014/15 with a total value of £15 million.

90.2 RESOLVED:

That the report be noted and endorsed by the Committee.

91 External Audit: Reporting on progress against recommendations from 2014/15 for Shropshire Council

91.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – detailing the progress against recommendations from 2014/15. It was confirmed that all recommendations had been progressed but that there was still some work to be undertaken.

91.2 RESOLVED:

That the report be noted and endorsed by the Committee.

92 External Audit: The Audit Plan for Shropshire Council

92.1 The Committee received the Audit Plan for the year ending 31 March 2016 for Shropshire Council - copy attached to the signed Minutes - setting out the work that Grant Thornton would be undertaking to discharge their responsibilities in relation to the Council's financial statements and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

92.2 The External Audit Manager drew attention to the key challenges and opportunities for the Council, set out on page 4 of the report and answered a number of queries from Members of the Committee.

92.3 RESOLVED:

That the Audit Plan for Shropshire Council be noted and accepted.

93 External Audit: Informing the audit risk assessment for Shropshire Council

93.1 The Committee received the report of the External Auditor - copy attached to the signed Minutes - which contributed towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'.

93.2 RESOLVED:

That the contents of the report be noted and accepted.

94 Date and Time of Next Meeting

94.1 Members were reminded that the next meeting of the Audit Committee would be held on the 23 June 2016 at 9.30am.

95 Exclusion of Press and Public

95.1 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.

96 Exempt minutes of the previous meeting held on the 26 November 2015

96.1 RESOLVED:

That the exempt Minutes of the meeting held on 26 November 2015 be approved and signed by the Chairman as a correct record.

97 Fraud, Special Investigation and RIPA Update

97.1 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.

97.2 RESOLVED

That the contents of the report be noted.

Signed (Chairman)

Date: