



### **Committee and Date**

Audit Committee

17 September 2020

## **MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 31 JULY 2020**

**1.30 - 4.30 PM**

**Responsible Officer:** Tim Ward

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### **Present**

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

### **85 Apologies for Absence / Notification of Substitutes**

85.1 There were no apologies for absence

### **86 Disclosable Pecuniary Interests**

86.1 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.

### **87 Minutes of the previous meeting held on the 25 February 2020**

#### **87.1 RESOLVED:**

That the minutes of the meeting of the Audit Committee held on 25 February 2020 be approved and signed by the Chairman as a correct record.

### **88 Public Questions**

88.1 No public questions had been received.

### **89 First line assurance : Digital Transformation Update**

89.1 The Committee received the report of the Director of Workforce and Transformation (copy attached to the signed minutes) which gave an update on work on the Digital Transformation Project.

89.2 The Director of Workforce and Transformation advised the Committee that each of the workstreams had delivered significant benefits, not least the investment in systems that had enabled most staff to work remotely immediately following the government announcement advising that workers should work from home where possible.

89.3 In response to a query regarding time abuse the Director of Workforce and Transformation advised that there was the ability to monitor the use of the network, and that work was being done with Managers to ensure that they were able to support staff. The Director of Workforce and Transformation reminded Members that flexible working enabled staff to have a working pattern that suited other commitments.

89.4 In response to a query the Director of Workforce and Transformation advised that following the staff survey, further work was being carried out to understand the reasons why some staff were not happy to work from home.

89.5 A Member commented that it would be useful to have a table which set out the costs, savings and efficiencies of each of the programmes. The Director of Workforce and Transformation agreed to provide this.

89.6 In response to a query the Director of Workforce and Transformation confirmed that there had been a £3 million underspend on the original project budget.

89.7 **RESOLVED:**

That the content of the report be noted.

90 **Second line assurance: Annual whistleblowing report**

90.1 Members received the report of the Director of Workforce and Transformation (copy attached to the signed minutes) which presented that Annual Whistleblowing report for 2019/20 which showed that there had been 20 cases reported under the Whistleblowing arrangements, a 39% decrease on the previous year.

90.2 The Chairman advised that Councillor David Vasmer had submitted a question and invited Councillor Vasmer to put his question.

90.3 Councillor Vasmer asked when the Whistleblowing Policy was last reviewed, as he felt that the current policy did not protect whistle-blowers and that this was preventing people coming forward to raise concerns. The Head of Audit advised the meeting that the Policy had last been updated in December 2019 to reflect best practice. She added that all concerns raised by whistle-blowers were taken seriously and considered in full and that she felt the whistle-blowers were fully protected by the policy and that this was not a bar to people raising concerns and that she felt for this reason the policy did not need updating. She suggested that Members of the Committee may wish to meet with Councillor Vasmer and herself outside the meeting to discuss his concerns further and consider whether anything needed to be reported to the Committee.

90.4 Members agreed that this was a suitable course of action and agreed that the Chairman, Councillor Vasmer and the Head of Audit meet to discuss the points raised by Councillor Vasmer.

90.5 **RESOLVED:**

a) That the Committee note the contents of the report

- b) That the Chair and the Head of Audit meet with Councillor Vasmer to discuss his concerns further and to assess whether a further report to the Committee was required.

## 91 Third line assurance: Internal Audit Annual report 2019/20

- 91.1 Members received the report of the Head of Audit, (copy attached to the signed minutes) which provided them with details of work undertaken by Internal Audit to the year ended 31 March 2020. The Head of Audit advised that the revised Audit Plan was delivered above the 90% delivery target and that there had been a 3% decrease in the higher levels of assurance compared to the previous year and an equivalent increase in limited and unsatisfactory opinions.
- 91.2 Members were asked to note the Limited Assurance opinion on the Council's framework for governance, risk management and internal controls. They were concerned that the response to the Coronavirus pandemic had led to scope limitations which restricted the independent assurances provided on the key systems that have undergone fundamental changes during the year. The Head of Audit in response to COVID would be bringing back a refresh of the Audit Plan to the September meeting and will re-visit unsatisfactory rated areas.
- 91.3 A Member commented on the overall trend within schools. The Head of Audit stated that schools were audited as there was need to give assurance to the S151 Officer for school grants, and that where trends are seen over a number of schools, Internal Audit would speak to the relevant director to discuss what additional advice and support could be given.
- 91.4 In response to a query the Head of Audit confirmed that external client work was a paid for services, charges being made on a cost recovery basis.
- 91.5 In response to a query the Head of Audit confirmed that all matters with an unsatisfactory rating were followed up and if there is no improvement in direction of travel the matter was reported back to committee.
- 91.6 **RESOLVED:**

That the Committee note

- a) Performance against the Audit Plan for the year ended 31 March 2020.
- b) That Internal Audit have evaluated the effectiveness of the Council's risk management, control and governance processes, considering 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 2019/20.
- c) The Head of Audit's limited assurance, year-end opinion, that the Council's framework for governance, risk management and internal control is sound and working effectively for 2019/20 based on the work undertaken and management responses received.

**92 Third line assurance: Annual review of Internal Audit, Quality Assurance and Improvement Programme (QAIP) 2019/20**

92.1 Members received the report of the Director of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed minutes) provided the results of a self-assessment of the Internal Audit Service against the requirements of the Public Sector Internal Audit Standards.

92.2 The Director of Finance, Governance and Assurance (Section 151 Officer) confirmed that the self-assessment carried out had confirmed that the Council continued to operate an effective internal Audit function and that there were no areas where the code was not complied with, although there were a few areas of partial compliance which were not considered significant.

**92.3 RESOLVED:**

That the Committee endorse 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.

**93 Second line assurance: Financial outturn report 2019/20**

93.1 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 the 2019/20 financial year.

93.2 The Director of Finance, Governance and Assurance (Section 151 Officer) advised the meeting that the report had been approved at cabinet and was brought to the Audit Committee for them to ensure that there was compliance with financial management standards.

93.3 A Member commented that there were 6.5 million of undeliverable savings shown in the report, some of which had been covered by one off savings, and asked how robust were the processes for identification of savings and then deliverability of the savings identified. The Director of Finance, Governance and Assurance (Section 151 Officer) stated that the key issue was around the process of identification and consideration of savings proposals, how deliverable was the saving and the timing of the delivery of the saving. He went on to say that there was need to continue to work on the process, and a need to ensure that the time and resources were in place to be able to deliver identified savings.

93.4 In response to a question around the bad debt provision contained in the report the Director of Finance, Governance and Assurance (Section 151 Officer) stated that the figure resulted from a calculation to identify what the situation is across the Council and that this will always vary from year to year. He agreed to circulate further information around the reasons for the variation to the Committee.

**93.5 RESOLVED:**

That the Committee note the content of the report.

**94 Second line assurance: Approval of the Council's Statement of Accounts 2019/20**

- 94.1 Members received the report of the Director of Finance, Governance and Assurance (S151 Officer) which set out the draft statement of accounts for the financial year 2019/20.
- 94.2 The Director of Finance, Governance and Assurance (S151 Officer) advised the Committee that the timescales for the production of the Annual statement had been amended due to the coronavirus pandemic and that it was hoped that the final accounts would be taken to the next Full Council meeting at the end of September but if that was not possible there was a delegation to allow the Audit Committee to sign off the accounts and a special meeting may be needed to do this.
- 94.3 In response to a question regarding the materiality threshold the Director of Finance, Governance and Assurance (S151 Officer) confirmed that a key variance was one that was more than £8 Million or more than 10% variance, whichever is the lower.
- 94.4 In response to a question regarding the valuation of assets, the Strategic Management Accountant confirmed that some valuations had been done in house and some by an external valuer who had done a desk top valuation exercise based on the best information to hand.
- 94.5 In response to a question regarding the increase in short term debtors the Head of Finance Management and Reporting advised that the introduction of the new finance system had slowed down debt recovery actions but that officers were catching up with the backlog.
- 94.6 The Chair thanked Officers for all their hard work in the production of the accounts.

**94.7 RESOLVED:**

That Members note the report

**95 Overall assurance: Annual Governance Statement and a review of the effectiveness of the Council's internal controls and Shropshire's Code of Corporate Governance 2019/20**

- 95.1 The meeting received the report of the Director of Finance, Governance and Assurance (S151 Officer) which set out the Annual Governance Statement and provided a review of the effectiveness of the Council's internal controls and the Council's Code of Corporate governance for the financial year 2019/20.
- 95.2 The Director of Finance, Governance and Assurance (S151 Officer) reminded Members that there was a requirement to produce an Annual Governance Statement alongside the statement of accounts that ensured all of the key governance issues were considered, and that there was also a requirement to look

at key governance issues going forward and to produce an action plan to address these issues.

95.3 With regard to a query regarding when work to complete directorate objectives for each Director as identified in activity 4.2 in appendix C to the report would be completed. The Director of Finance, Governance and Assurance (S151 Officer) advised that with the departure of the Chief Executive and the onset of the Pandemic this work had been delayed but he would take the matter up with the Interim Chief Executives and report back to Members

95.4 A Member queried why Business World had flagged as a potential risk in terms of transparency, but that there was no reference to this in the Internal audit report. The Head of Audit informed the meeting that Business World was subject to separate audit during the time that it was set up but all parts now picked up within other audits and overtime improvements should become embedded.

95.5 **RESOLVED:**

- A. That the Annual Governance Statement 2019/20 be approved.
- B. That the Internal Audit conclusion that the Council has reasonable evidence of compliance with the Code of Corporate Governance be noted.

96 **Third line assurance: Annual Assurance report of Audit Committee to Council 2019/20**

96.1 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 2019/20.

96.2 A Member expressed concern that the Annual Statement of Assurance did not adequately reflect the limited assurance made in the Internal Audit report. It was agreed that the final paragraph should be amended to reflect this, and that the Head of Audit should liaise with Committee members to agree the amendments to the report prior to it being considered at Full Council.

96.3 **RESOLVED:**

That subject to the amendments agreed, the Draft Annual Assurance Report for 2019/20 be approved and that Council be recommended to accept the contents of the report.

97 **Third line assurance: External Audit: Audit fee letter**

97.1 The meeting received the report of the Director of Finance, Governance and Assurance (S151 Officer) (copy attached to the signed minutes) which set out the audit fee for the forthcoming year.

97.2 The Director of Finance, Governance and Assurance (S151 Officer) reminded Members that the PSAA set out the scale fee, which was unchanged, but that there may be additional costs relating to additional work.

**97.3 RESOLVED:**

That the contents of the report be noted.

**98 Third line assurance: External Audit: Audit Plan update**

98.1 The meeting received the report of the External Auditor which gave an update on the audit plan for Shropshire Council.

98.2 The Audit Manager drew Members attention to the risks identified around the Covid 19 pandemic and to the update on risks around value for money.

**98.3 RESOLVED:**

That the content of the report be noted

**99 Third line assurance: External Audit: Informing the risk assessment**

99.1 The meeting received the report of External Audit which updated the Committee on areas discussed with the Council as part of the audit process.

**99.2 RESOLVED:**

That the contents of the report be noted

**100 Third line of assurance: External Audit: Audit progress report and sector update**

100.1 Members received the report of the External Auditor (copy attached to the signed minutes) which updated the Committee on progress in delivering the external audit and a summary of emerging national issues.

100.2 The Engagement Lead drew Members attention to concerns around the impact of remote working and the ability to be able to deliver the audit opinion in time for the September Council meeting and suggested that a contingency plan should be put in place to allow for this. The Director of Finance, Governance and Assurance (S151 Officer) stated that there would be need for a meeting of the Audit Committee in late October. He reminded Members that there would be a delegation in place to the Committee to enable them to sign off the accounts.

**100.3 RESOLVED:**

That the contents of the report be noted.

**101 Third line assurance: External Audit: Pension fund audit plan 2019/20**

101.1 Members received the report of External Audit (copy attached to the signed minutes) which provided them with an overview of the planned scope and timing of the audit of the Shropshire Pension Fund.

101.2 The Engagement Lead reminded Members that this report had been considered by the Pensions Committee and drew Members attention to the significant risks

identified in the report. He advised that good progress was being made on completing the Pension Fund Audit.

**101.3 RESOLVED:**

That the contents of the report be noted.

**102 Date and Time of Next Meeting**

102.1 Members noted that the next meeting of the Audit Committee would be held on the 17<sup>th</sup> September 2020 at 1:30pm.

**103 Exclusion of Press and Public**

**103.1 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.

**104 Exempt Minutes**

**104.1 RESOLVED:**

That the exempt minutes of the meeting of the Audit Committee held on 25 February 2020 be approved and signed by the Chairman as a correct record.

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

105.1 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.

**105.2 RESOLVED**

That the contents of the report be noted.

Signed ..... (Chairman)

Date: .....