

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 20th September 2011 at 6.00 pm in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: Councillors D G Davies (Chair), R.K.Austin, I.T.W.Fletcher, R.J.Sloan, W.L.Tomlinson and C.R.Turley.

Officers: K Clarke (Head of Finance), J.Eatough (Head of Governance), P.Harris (Corporate Finance Manager), J.Marriott (Audit & Assurance Manager), A Meredith (Customer Services Manager), B Morris (Finance Manager), P Smith and J Clarke (Democratic Services Officers).

Also Present: A.Cardoza and A.Bunting – KPMG External Auditors.

AUC-13 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 27th June 2011 be confirmed and signed by the Chairman.

AUC-14 APOLOGIES FOR ABSENCE

M McDonagh (KPMG)

AUC-15 DECLARATIONS OF INTEREST

None

AUC-16 2010/11 STATEMENT OF ACCOUNTS – HEAD OF FINANCE ISA 260 GOVERNANCE STATEMENT AND OPINION ON THE 2010/11 ACCOUNTS – EXTERNAL AUDITORS KPMG

The Corporate Finance Manager presented a report of the Head of Finance on the outcome of the Audit of the Council's accounts for 2010/11. A copy of the Statement of Accounts was appended to the report.

The 2010/11 Statement of Accounts had been the first financial statements under the International Financial Reporting Standards (IFRS) and the transition to IFRS had been very challenging. It included changes to the financial statements and it had been necessary to re-state the 2009/10 balance sheet to provide comparative information.

In accordance with the Accounts and Audit (England) Regulations 2011, the Chief Financial Officer certified the draft statement of accounts prior to the 30th June and then made them available for public inspection and provided to the external auditors, KPMG, to undertake an audit of the accounts.

A number of technical adjustments to the accounts had been made after discussion with KPMG during the course of the final accounts audit. None of the changes had

impacted on the outturn position or on the General Fund Balance position previously reported.

Andy Cardoza reported that KPMG, had substantially completed their work and were in the final phase of the Audit. An unqualified audit opinion was anticipated. The KPMG report before Members provided an overview of the external audit work to date. A total of 11 audit adjustments had been identified, but these had not had any impact upon the General Fund balance for 2010/11 or the previous year. Work was continuing with officers to resolve two technical issues, as identified on page 4 of the report. Mr Cardoza also stated that he would like to see more resources directed at the Accounts production process next year. The key issues and recommendations identified by the external audit were shown at Appendix 1, and Mr Cardoza stated that KPMG were happy with the management response.

The accounts would be published by the 30th September and would then be published on the Council's website.

During the ensuing discussion, it was suggested that it would have been beneficial to members if they had received the papers a little sooner in order that they could have looked at them more thoroughly. In the light of the comments of the external Auditor, it was suggested that the Head of Finance review the resources available within the accounting teams for the production of the Statement of Accounts. The Committee were satisfied that they had received a comprehensive set of accounts, taking into account the provisional view of the external Auditor.

RESOLVED -

- (a) that the 2010/11 Statement of Accounts be approved**
- (b) that delegated authority be granted to the Head of Finance, in consultation with the Chairman of the Audit Committee, to make any final changes required to the Statement of Accounts prior to publication.**

**AUC-17 CUSTOMER FEEDBACK PERFORMANCE REPORT
(COMPLIMENTS/COMPLAINTS/FOI'S) 1ST APRIL 2010 TO 31ST
MARCH 2011**

The Customer & Registration Services Manager presented a report which outlined customer feedback for the period 1st April 2010 to 31st March 2011. During the period the Council had received 575 compliments, 709 Freedom of Information Requests, 92 Data Protection requests, 22 Environmental Information Regulations requests and 800 Corporate Complaints. There had also been 126 statutory adult and child care complaints – whilst this is a significant increase on the previous year, the total number of complaints that elements of the complaint upheld had fallen from 551 in 2009 to 495 in 2010/11.

Whilst it was acknowledged that there had been a relatively small number of complaints registered compared with the number of services the Council provided on a daily basis, those complaints that had had elements of the concerns upheld often

led to service improvements being identified. The report detailed service areas where improvements had been made, including Safeguarding Services, Leisure, Environmental Services and Refuse and Recycling. .

A discussion took place regarding Freedom of Information (Fol) requests. The requests had a big impact on officer time and resources and had been increasing quite rapidly. Members suggested that it would be useful to find out the cost to the Council of responding to Fol requests. The Audit & Assurance Manager advised that from the 3rd October Audit and Assurance would be taking over FOI requests and they would be collecting information to start quantifying the cost involved with these requests. It was expected that the end of December quarter figures would be available for the meeting due to take place in March. In response to a question, the Customer Services Manager advised that Fol requests could not be treated as vexatious unless they were exactly the same as a previous request.

RESOLVED – that the report be noted.

AUC-18 2010/11 ANNUAL REPORT – CORPORATE ANTI-FRAUD & CORRUPTION ACTIVITY

The Audit & Assurance r Manager presented a report on the corporate anti-fraud and corruption activity during 2010/11. This was the third annual report which enabled the Audit Committee to monitor the policies in operation (as required in its Terms of Reference).

Indications from the Police had been that fraudulent activity had and would continue to increase during the recession. It was important that the Council continued to maintain vigilance in respect of Council services and the Community.

Information regarding counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing could be found in the report and it was noted the Council's procedures and controls had been designed to minimise the opportunity for fraud and highlight where fraudulent activity may have taken place.

Internal Audit had an important role in the investigation of suspected internal fraud, and assisting managers in ensuring they had appropriate systems and controls in place to prevent fraud. A summary of the fraud risk areas and audit action taken during 2010/11 was appended to the report.

The Council had a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the National Fraud Initiative (NFI). This was an electronic data matching exercise, with completion set for the end of December 2011.

During the ensuing discussion, the view was expressed that training and awareness was very important not just for staff but also for Members. The Audit & Assurance Manager advised that further training for Members had been scheduled for March 2012. It was asked how much of the benefits overpayments mentioned in the report

amounting to £422,565.50 had actually been recouped. The Audit & Assurance Manager said she would find out and provide the information to members of the Committee.

RESOLVED – that the 2010/11 Annual Report on Corporate Anti-Fraud and Corruption activity be noted.

AUC-19 INFORMATION GOVERNANCE ANNUAL REPORT 2010/11

The Audit & Assurance Manager presented the Information Governance Annual Report for the period 2010/11.

This was the first annual Information Governance Report and was a key component of good governance and assurance. It consisted of several aspects including:

- Data Protection & Privacy
- Freedom of Information
- Information Security
- Information Sharing & Confidentiality
- Information & Records Management
- Information Quality & Assurance

Information Governance investigated all instances of alleged data breaches which varied from the loss of a blackberry, to confidential/sensitive information being communicated to an unauthorised and/or incorrect recipient. Of the 18 reported instances between 1 October 2010 and 31 March 2011 9 data breaches had occurred. For each of these breaches Information Governance agreed actions with the relevant management team. None of the confirmed data breaches had been deemed serious enough to be referred to the Information Commissioner's Office.

The report also set out the resources and management arrangements for the Information Governance function.

Members asked a number of questions regarding the security of the Council's data, and access to Council systems. The Audit & Assurance Manager reported that access to certain items of data was restricted and that officers who had been found to be inappropriately using the Council's data would be severely dealt with. In relation to data sticks, only encrypted data sticks should be used for Council data but most officers carried laptops which had been also encrypted. The security of systems was looked at as part of the auditing process, and a Security Group met monthly to consider any issues.

RESOLVED – that the Information Governance Annual Report 2010/11 be noted.

AUC-20 AUDIT COMMITTEE ANNUAL REPORT 2010/11

The Audit & Assurance Manager presented the report of the Head of Governance which would be presented to Full Council in November.

This was the third report to Council on the operations of the Audit Committee. There had been 6 meetings of the Audit Committee during 2010/11. The Committee had reviewed its Terms of Reference at the first meeting of the municipal year, as set out in the Constitution, but no changes had been required at that time and no further changes had been made during the year.

The Committee had some challenging meetings during the year ie Dawley Town Hall lease review, and had continued to seek assurance for Members and the Community on audit, governance, risk management , financial statements, Treasury Management, complaints and anti-fraud and corruption arrangements.

A change to the administration following the elections during May 2011 had meant an increase to the membership of the Audit Committee from six to seven members. General training had been provided to all members and additional more specific training would be ongoing during 2011. At the February 2012 meeting the Committee would be reviewing their knowledge and skills in order to assess further training requirements and the necessity of appointing a suitably skilled/experienced co-optee to enhance the committee's effectiveness. A review of the Terms of Reference during 2011/2012 to reflect the move to a Co-operative Council might be needed.

RESOLVED – that the Annual Report 2010/11 be noted.

AUC-21 INTERNAL AUDIT QUARTER 1 2011/12 UPDATE REPORT

The Audit & Assurance Manager presented the Internal Audit Quarter 1 2011/12 update report for April to June 2011. It focussed on the completion of the audits set out in the Internal Audit Plan.

Due to limited resources, a review of working practice had been undertaken with regard to follow ups. All amber and red reports had been followed up with a visit from audit to ensure that the recommendations had been implemented as agreed by management. Yellow reports had been followed up with a template to the Manager which was completed and returned to Audit Services together with the required evidence. Managers were no longer chased for a response, but the grading of the report would not be changed until the follow up evidence had been provided.

Three reports remained amber. Although responses to two of the reports had been delayed by the organisational restructure, it was hoped improvements would be reported in the next update report. The other report concerned Adams Grammar, which from September 2011 had become an Academy outside the local authority.

In response to a question from Cllr Tomlinson it was confirmed that a report would be provided to a future meeting of this committee that would relate to a procurement undertaken by the Council in 2008

In response to a question, the Audit & Assurance Manager advised that the audit of Children's Placement Costs 2010/11 would be reported at the next meeting of the Committee.

RESOLVED – that the report be noted.

Cllr C Turley left the meeting at 7.13pm

AUC-22 EXCLUSION OF PUBLIC AND PRESS

RESOLVED - that the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

AUC-23 TREASURY MANAGEMENT UPDATE

The Head of Finance presented a report regarding a Treasury Management investment where the counterparty's credit rating was now below the requirement for new investments.

Given the unprecedented turbulent economic conditions that had been experienced in recent months and the uncertainties that lay ahead, Members were given an update on the situation with regard to the investment, and received advice via a telephone link from the Council's treasury advisors

Members gave careful consideration to the information received and, following a full discussion and confirmation of the monitoring arrangements for investments, it was

RESOLVED -

- (a) That in the Committee's view, the Council should continue to hold the investment;**
- (b) That the position should be subject to close monitoring and an update/monitoring report be brought to the next meeting on 1st November 2011**

The meeting ended at 7.34 p.m.

Chairman:

Date: