

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Tuesday, 1<sup>st</sup> November 2011 at 6.00 pm in the Reception Suite, Civic Offices, Telford**

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

**Officers:** K Clarke (Head of Finance), P Harris (Finance Manager), J Marriott (Audit & Assurance Manager), B Morris (Finance Team Leader), and J Clarke (Democratic Services Officer).

#### **AUC-24      MINUTES**

Further to Minute AUC16(b) the Chair requested that only very minor changes had been made to the Statement of Accounts for 2010/11, and that they had received an unqualified opinion from the external auditor.

**RESOLVED** – that the minutes of the meeting of the Audit Committee held on 20<sup>th</sup> September 2011 be confirmed and signed by the Chairman.

#### **AUC-25      APOLOGIES FOR ABSENCE**

Cllr W L Tomlinson

#### **AUC-26      DECLARATIONS OF INTEREST**

None

#### **AUC-27      TREASURY MANAGEMENT UPDATE REPORT**

The Finance Manager presented a joint report of the Chief Finance Officer and the Head of Finance which gave an update on Treasury Management activity for the first half of the year.

The treasury portfolio at the end of September had shown overall indebtedness at £59m. Base rates had been at 0.5% all year and the next move upwards was not now expected to be until late 2012 at the earliest.

The Council's capital programme was being supported by using maturing investments to reduce the level of additional borrowing required. Temporary borrowing was used to fund short-term cash flow requirements. The weighted average return on internal investments at 30 September was 3.27% compared to a benchmark return for the period of 0.42%. A schedule of investments held at 30 September was shown at Appendix 1 to the report. Overall, treasury management was generating a net surplus for the 2011/12 budget of £0.445m.

Prudential indicators set at the beginning of the year, shown in Appendix 2 to the report, confirmed that no limits had been breached.

The Council's investments were internally managed with a mix of both temporary investments, for cash flow purposes, and longer term investments.

In relation to one of the longer term investments, the Dexia Bank Group had undergone a structure change, due to the recent financial pressure caused by its exposure to Greek debt. The Belgian Government had taken over 100% state ownership of the part of the bank which currently held the Council's investment. Following advice from the Council's Treasury advisors, the Council had made enquiries about terms for a premature repayment of this existing investment and a response was currently awaited. In response to comments from Members it was agreed that although a quick decision on the investment may be required, the Head of Finance would keep all Members informed as soon as possible of any decisions made.

**RESOLVED** – that the report be noted.

**AUC-28      RESULTS OF THE ASSURANCE REVIEW ON THE 2010/11 ANNUAL GOVERNANCE STATEMENT and HALF YEARLY PROGRESS ON THE 2010/11 AGS ACTION PLAN**

The Audit and Assurance Manager presented a report of the Interim Chief Executive which detailed the results of the Assurance Review on the 2010/11 Annual Governance Statement and the half yearly progress on the 2010/11 AGS Action plan.

A review of the AGS certification process was undertaken during July 2011 and a sample of certificates were verified to support the 2010/11 Annual Governance Statement. All service delivery managers completed a certificate and 14 (19%) were examined as part of the review and areas of good practice were identified.

The review identified three key issues:

Greater awareness of key corporate policies and procedures were required.

-Organisational Development were currently looking at this area;

Customer Satisfaction

- This was to be looked at in 2012/13 once the corporate restructure had been completed;

Non-Staffing Savings seemed to be affecting training budgets at a time when new personnel and skills gaps were requiring more training.

- Managers supported by Organisational Development to look at innovative ways of providing training ie e-learning; webinars; shadowing etc.

The results of the review were that overall the governance process was reasonable and service areas were addressing the issues identified which would result in improved governance across the Council.

The 2010/11 Annual Governance Statement (AGS) Action Plan included 5 actions to improve further the key governance arrangements of the Council and details of these were appended to the report at Annex 1. The Senior Management Team and relevant Heads of Service were confident that the actions were progressing and the deadlines outlined would be achieved.

**RESOLVED – that the report be noted.**

## **AUC-29      INTERNAL QUARTER 2 2011/12 UPDATE REPORT**

The Audit and Assurance Manager presented the Quarter 2 Internal Audit update report for 2011/12.

Internal Audit had focussed on the completion of the audits set out in the Internal Audit Plan during this period as well as work on the new financial management system. The ICT procurement review was near finalisation and would be reported as part of the update to the January 2012 Audit Committee. During the quarter the Internal Audit Team also became responsible for co-ordinating complaints referred to the Ombudsman. There had been minimal impact to date however, due to its unpredictable nature, this work would be kept under review.

Eleven final reports were issued in quarter two and these were shown in Appendix A to the report. Several of these had a variance to their allocated time by more than +/- 5%. The Place, which had +162%, had not been audited for a number of years and had been significantly wider than the original time, but the time spent had added value and all of the recommendations had now been implemented.

Appendix B to the report listed the areas of work which had taken 1 day or longer to complete. The fundamental audit areas, ICT procurement review and performance indicators (including carbon reduction) were the main areas of work of more than 10 days.

Appendix C highlights the progress on previous reports issued. Paragraph 5.8 of the report highlighted the current position in respect to red/amber reports which showed that there were currently two reports that remained amber. Car Parking and Enforcement had been delayed due to the current re-structure and a full review of the revised arrangements would take place in Spring 2012 and then reported back to Members. Children's Placement Costs had recently been escalated following the first phase of the re-structure and it was hoped that it could be re-graded to Yellow. Evidence was still needed to confirm the new arrangements were in place and an update would be brought to the next meeting.

Appendix D to the report contained summary information on amber reports in respect of the Abacus System and ICT Backup and Recovery. Recommendations had been made and actions/deadlines agreed with Management.

During the ensuing discussion, it was agreed that the following items needed further clarification and assurance and that the Heads of Service for these areas would be invited to attend the January meeting:

- ICT Backup and Recovery
- Children's Placement Costs 2010/11

**RESOLVED** – that the report be noted

**AUC-30**      **RESULTS OF THE CIPFA BENCHMARKING EXERCISE FOR INTERNAL AUDIT 2011**

The Audit and Assurance Manager presented a report which set out the results of the benchmarking exercise for 2011 compared with the 2008-2010 figures previously reported.

The results demonstrated that Telford and Wrekin generally compared well with other unitary authorities although the 2010/11 results were affected by the restructure. The 2011/12 estimated comparisons reflected the revised structure of Internal Audit and subsequent reduced costs. Appendix A to the report gave a detailed breakdown of the cost analysis.

Benchmarking was considered to be a useful exercise. Although all organisations were unique and had their own individuality, all needed to provide the appropriate assurances to the Council whilst demonstrating value for money

**RESOLVED** – that the report be noted.

The meeting ended at 6.52 p.m.

**Chairman:**

**Date:**