

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 31st January 2012 at 6.00 pm in the Reception Suite, Civic Offices, Telford

PRESENT: Councillors R K Austin (Vice-Chair in the Chair), S Burrell, I T W Fletcher, R J Sloan, W L Tomlinson and C R Turley.

Officers: K Clarke (Head of Finance), P Harris (Finance Manager), J Marriott (Audit & Assurance Manager), B Morris (Finance Team Leader), D Sidaway (Head of Property & ICT), K King (ICT Service Delivery Manager), C Jones (Head of Family & Community Services), K Perry (Interim Head of Safeguarding) and J Clarke (Democratic Services Officer).

Also Present: M McDonagh and A. Cardoza – KPMG External Auditors.

AUC-31 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 1st November 2011 be confirmed and signed by the Chairman.

AUC-32 APOLOGIES FOR ABSENCE

Councillor D Davies

AUC-33 DECLARATIONS OF INTEREST

None

AUC-34 KPMG – THE COUNCIL’S EXTERNAL AUDITORS

a) Annual Audit Letter 2010/11

M McDonagh gave a brief summary of the Annual Audit Letter 2010/11 which was a requirement of the Audit Commission. This looked back at the year 2010/11, all of which had previously been reported to the Audit Committee. It was the opinion of the external Auditors that the Authority was giving value for money. KPMG gave an unqualified opinion on the Council’s Financial Statements on 29th September 2011 which met the Audit Commission’s deadline. There was a good working relationship between the external Auditors and the Council. No adjustments were required to the Annual Governance Statement. During 2009/10 there had been 4 elector questions and objections. Since writing the report the Auditors had now finalised these questions and although there were some areas the Authority could learn from, these were not significant enough to take any further action. The Audit for the years 2009/10 and 2010/11 had now been closed off and certificates issued. This had been a positive year for the Authority but there were significant challenges on the horizon due to the financial settlements.

RESOLVED – that the contents and conclusions contained within the KPMG Annual Audit Letter 2010/11 be noted.

b) Certification of Grants and Returns 2010/11

M McDonagh gave a brief summary of the Certification of Grants and Returns 2010/11. The external Auditors have to report even minor amendments required and one was reported in respect of the Housing and Council Tax benefit claim on page 4 (1) of the Report. KPMG had issued 4 unqualified certificates and 1 qualified certificate. The fees had come down significantly since 2009/10 although it was pointed out that the total fee for 2010/11 was now a revised figure of £35,250. There were no immediate concerns regarding the grants and returns but there was always room for improvement and one minor recommendation had been made.

RESOLVED – that the Certification of Grants and Returns 2010/11 be noted.

c) External Audit Plan 2011/12

M McDonagh gave a brief summary of the External Audit Plan which was an annual document that sets out the external Auditors statutory responsibilities, the Team involved in working with the Authority and the Fees. The statutory responsibilities included the financial statements and use of resources (including making sure arrangements were in place for the Authority to deliver value for money). The external Auditors had a good relationship with the Authority which enabled constructive open dialogue on challenging issues. The External Auditors would be looking forward to the 2012/13 and 2013/14 savings programmes in order to be reassured that these were being delivered. The External Auditors would use their professional scepticism to take a fresh look at the Authority and to meet regularly with the Finance and Audit teams. The current team of External Auditors from KMPG would continue to work with the Authority in order to keep consistency. At the year end the External Auditors would look at the manual adjustments. The External Auditors had not experienced any issues with Management from the Authority and this allowed them to be objective and independent.

A discussion took place regarding the Council's 20% savings. KPMG said that there would need to be a fundamental change to the way the Authority looked at value for money and savings in the future. The challenge was to prioritise appropriately using a mature approach, intelligent auditing and logic. There was no set template for Local Authorities to use as each Local Authority would be considered individually.

RESOLVED – that the External Audit Plan 2011/12 be noted.

AUC-35 UPDATE ON ICT BACK-UP AND RECOVERY

The Head of ICT and the ICT Service Delivery Manager gave a joint update on ICT Back-up and Recovery following a request at the last meeting. Following a Management restructure in January 2011 the Head of ICT had identified that the foundations and infrastructure within ICT needed to be developed further and changes made to priorities. Business Continuity Plans had been reviewed any appropriate action had or would be undertaken.

A discussion took place including:

- Insurance
- Moving of Equipment
- Mirror Imaging
- Hardware replacement
- Power failure

Members were re-assured that the appropriate safeguards had now been put in place and a further update would be given at the June 2012 meeting.

RESOLVED – that the report be noted.

AUC-36 UPDATE OF CHILDREN'S PLACEMENT COSTS

The Head of Family & Community Services and The Interim Head of Safeguarding gave a joint update on Children's Placement Costs following a request at the last meeting. There had been further progress on the key issues identified and the status had been upgraded to Yellow. The restructure was now confirmed and in place and the recruitment ongoing and the hard work would continue once the new team were in place. Once the restructure was complete a further report would be given and this would be brought to the June 2012 meeting.

RESOLVED – that the report be noted.

AUC-37 2012/13 TREASURY STRATEGY & TREASURY UPDATE REPORT

The Finance Manager gave a report on the Treasury Management activities during 2011/12. The treasury portfolio at the end of December showed an overall net indebtedness of £68m. Base rates had been at 0.5% all year and the latest information suggested that further movement would not take place until 2015. Where possible the Council would use maturing investments to reduce the level of additional borrowing. Two PWLB Loans had matured and one entered into to take advantage of the favourable interest rates. Short term borrowing had been used to fund short-term cash flow requirements. The average return on internal investments at the end of December was 3.3% compared to the benchmark figure of 0.45% for the period. The funds had now been received back from Dexia Bank as was recommended at a previous Audit Committee. The Treasury Strategy was currently in draft form and subject to change due to finalisation of the budget. The final Strategy would be taken to Cabinet on 23rd February and then on to Council on the 1st March. The revised strategy had adopted the new Ethical Investment Framework which meant that the Council would not knowingly directly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups. The Council would also take full responsibility for proper management of risk and safeguarding the investments by ensuring that organisations were credit assessed.

The Head of Finance asked whether members wished to see a final version of the report with the updated final figures prior to its despatch for Cabinet but Members did not consider this necessary.

A discussion took place including:

- Capital receipts
- Prudential Indicators
- Gearing
- Reduction in Investments

RESOLVED – that the Treasury Management activities for the 2011/12 be noted and that the proposed Draft Management Strategy for 2012/13 be noted and that the Cabinet recommend its approval by the Council.

AUC-38 REVIEW AND UPDATE TO THE SPEAK UP POLICY

The Audit & Assurance Manager gave an update on the Speak up Policy. The changes to the Policy reflect best practice from other local authorities, Public Concern at Work and the Council's revised senior management arrangements. The Policy was now a more structured and user-friendly document. The aims of the Policy were to encourage people to raise issues within the organisation rather than going externally, for example to the Shropshire Star. The Policy would be promoted both internally and externally and an item would be put onto the Council's intranet after approval by the Council.

A delegation to the Monitoring Officer was included in the report to make any changes required from further guidance on the members Code of Conduct arising from the Localism Act.

RESOLVED –

- TO RECOMMEND TO COUNCIL that the Speak up Policy be approved incorporating the changes outlined in paragraph 5.4 of the report;**
- that delegated authority be given to the Monitoring Officer as set out in paragraph 5.6 of the report;**

AUC-39 INFORMATION GOVERNANCE UPDATE REPORT 1ST APRIL – 31ST DECEMBER 2011

The Head of Governance gave an update on the Council's Information Governance activities during the period 1st April to 31st December 2011. The Audit & Assurance Team had carried out a programme of work, including the training of officers, to address the important issue of data breaches. There had been an average of 60-70 Fol requests per month during the period. A Publication Scheme has been put in place in order to make as much information as possible freely available and to increase the efficiency of the council by reducing the number of individual Fol requests that need to be managed. An updated Contract Register was now published online. Big Brother Watch issued a report in November 2011 and although

the headlines started negatively actually the public were in the end re-assured that this level of reporting showed that the Council were actively managing its information. The current work programme involved a review of the Corporate Information Security Policy (CISP) and the online training programme which had proved very useful and was being rolled out across the Council. The Safeguarding Review was still ongoing. New Information Security advice had been produced for Members which was hoped would be more user friendly and contained guidance and tips.

A discussion took place including:

- Encryption of Laptops and USB Memory Sticks
- FOI requests
- Leaving process for Officers and the protection of data

It was agreed that the Annual Report for 11/12 would include the final 3 month update following the 9 month update and would be brought to the June meeting. Further reporting was agreed as a 5 month update to the September Meeting and the remaining 7 month update as part of the 12/13 Annual report to the June 2013 meeting. Any appropriate information would be reported back to the Committee in between.

RESOLVED – that the report be noted.

AUC-40 INTERNAL AUDIT QUARTER 3 2011/12 UPDATE REPORT

The Audit and Assurance Manager presented the quarterly update report for Quarter 3 from October to December 2011. The focus during this period had been on fundamental audits and included general ledger, purchase ledger, sales ledger and benefits. A total of 13 final reports had been issued during this time. There had been 4 Amber Reports on Car Parking, Children's Placement Costs, ICT and Abacus but two of these – Children's Placement's and ICT had moved to yellow and the Committee had received updates already at the meeting. The Car Parking and Abacus areas would be brought back to a future meeting of the Committee.

RESOLVED – that the report be noted.

AUC-41 REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2011/12 AND SKILLS AUDIT

The Audit and Assurance Manager presented a report regarding a survey to measure the effectiveness of the Audit Committee. This was an annual survey and was based on surveys taken in previous years. Members were asked to consider if a non-elected member or co-optee was required to add additional expertise and resources to improve effectiveness. A review of skills was also to be undertaken in order to develop a Training Programme for Members. The results of the Surveys would be reported back to the March meeting.

A discussion took place and it was suggested that the survey could be used as a basis to assess other Committees within the Council as a good practice exercise.

Concern was expressed that the Survey should be taken to identify any gaps or expertise needed and then take the decision to see if a non-elected member or co-optee was required. It was agreed that this question would be deleted from the survey before it was circulated.

RESOLVED –

- a) **that the Survey, Appendix A to the Report, would be circulated as outlined in paragraph 5.2 subject to the question regarding the co-optees being deleted;**
- b) **that the Committee would complete the skills survey, Appendix B to the Report;**
- c) **that the results of the effectiveness survey and skills audit be presented to the March meeting.**

The meeting ended at 7.56 p.m.

Chairman:

Date: