

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 25th September 2012 at 6.00 pm in the Scrutiny Meeting Room, Civic Offices, Telford

PRESENT: Councillors S A W Reynolds (Acting Chair for the meeting), R Evans, I T W Fletcher, A Meredith, W L Tomlinson and C R Turley.

Officers: J Eatough (Assistant Director: Law, Democracy and Public Protection and Monitoring Officer), J Marriott (Audit & Assurance Manager), B Morris (Finance Manager), P Harris (Finance Manager), David Sidaway (Assistant Director: Development, Business & Housing), Alan Fox (Service Delivery Manager Estates and Investments), K Perry (Assistant Director: Children's Safeguarding) Clive Jones (Assistant Director: Family & Cohesion Services) and J Clarke (Democratic Services Officer).

KPMG: A Cardoza and A Bunting

Roy Williams, Budget & Finance Scrutiny Committee

AUC-15 ELECTION OF CHAIR

Due to the absence of the Chair nominations were taken for an acting Chair for the meeting.

RESOLVED – that Cllr Shirley Reynolds would Chair the meeting.

AUC-16 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 26th June 2012 be confirmed and signed by the Chairman.

AUC-17 APOLOGIES FOR ABSENCE

Cllr R Sloan (Chair)

AUC-18 DECLARATIONS OF INTEREST

None

AUC-19 ANNUAL GOVERNANCE REPORT 2011/12

Andrew Cardoza from KPMG gave a brief overview on the Annual Governance Report 2011/12 and the Accounts Audit for the financial year end 31st March 2012.

There were two parts to the Audit but the substantive part took place from July to August 2012, and had now been completed. As part of this there had also been a Value for Money assessment. It was anticipated that an Unqualified Opinion would be issued by the end of September 2012. Five adjustments had been identified which had meant a decrease on the surplus on provision of services for the year by £3.4m and a decrease in the net worth of the Authority by the same amount. Corrections had been made relating to casting and presentational issues. It was highlighted that the recommendation, in relation to ensuring the correct accounting treatment, is applied when a school obtains academy status. The main critical accounting matters which arose during the year related to fixed asset accounting, specifically Heritage Assets, Component Accounting and Capital Accounting Thresholds. No

issues had arisen around these areas. There had been a general improvement of working papers which, together with a SharePoint site which had been set up for collating and sharing working papers, had made the audit of the accounts a much smoother process. The majority of recommendations from the ISA 260 Report 2010/11 had now been implemented with the only recommendation remaining outstanding being in respect to the draft financial statements.

The audit was now substantially complete. A signed management representation letter would be given to the external Auditors following the meeting of the Audit Committee on 25th September 2012. The external auditors had a duty of care to review its objectivity and independence in relation to the Audit in line with ISA 260 Report and confirmed that there were no issues. The external Auditors concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness of its resources within the Value for Money risk areas which it had outlined in the Interim Audit Report 2011/12.

Due to errors found within cash flow, the external auditors were proposing an over-run fee due to the extra time spent in this area. A breakdown of this fee had been given to the Chief Financial Officer and discussions were ongoing with regard to this.

The Chair thanked the external Auditors together with internal Staff for their hard work.

RESOLVED – that the report be accepted.

AUC-20 EXTERNAL AUDIT FEE 12/13

Adam Bunting from KPMG gave a brief overview of the External Audit Fee 12/13.

The proposed fee for 2012/13 was £155,088 (plus VAT) which was a 40% reduction on the fee for the previous. The fee was based on a number of assumptions. If these assumptions were not met or more work was needed then the fee may be subject to change and extra costs incurred. Any changes would be discussed with the Chief Financial Officer. Due to historic time differences, the fee for the Value for Money audit work was slightly out of line with the audit fee and it was intended to re-align these fees with those of the financial statements. A one-off amount of £25,800 would need to be charged in order for this alignment to take place. Discussions with regard to the Value for Money fee would be ongoing.

A discussion took place including:

- 40% reduction of fees
- Billing separately for compliance issues

RESOLVED – that the External Audit Fee 12/13 be accepted.

AUC-21 ANNUAL STATEMENT OF ACCOUNTS 2011/12

The Finance Manager presented a report on the 2011/12 Annual Statement of Accounts.

This was the second year that the Statements had been produced following the IFRS Regulations. The draft Accounts had now been made available to the Public and were circulated to Members of the Audit Committee. KPMG, the Council's external Auditors had now completed their work and were in the process of issuing an unqualified opinion. The outturn position of £1.843m under-spend was unchanged from the report taken to Cabinet on

28th June 2012. Once the Statement of Accounts had been approved it would be published on the Council's website.

Delegated authority was sought for the Assistant Director: Finance, Audit and Information Governance to make any final changes required to the Statement of Accounts prior to publication, although it was not envisaged that any changes would be needed.

A discussion took place including:

- Publication of draft Accounts
- Heritage Assets
- That Committee members would be informed of any changes to the accounts

RESOLVED – that

- a) Members approve the 2011/12 Statement of Accounts;**
- b) Delegated authority be granted to the Assistant Director: Finance, Audit and Information Governance, in consultation with the Chair of Audit Committee, to make any final changes required to the Statement of Accounts prior to publication.**

AUC-22 UPDATE ON CHILDREN'S PLACEMENT COSTS

The Interim Assistant Director: Children's Safeguarding presented an update on the children's placement costs.

The costs of residential care drove the budget and it was important to try and reduce the number of residential placements in order to reduce costs. A regional framework agreement was in place that enabled the Council to access high quality providers at reduced costs. Children were only placed with external foster carers if absolutely necessary because there were no suitable internal foster carers available. There was currently an advertising campaign to try and attract new foster carers into Telford and Wrekin. Although the Council was improving on recruitment there needed to be an emphasis on more careful targeting to capture the attention of those most likely to be interested. There had recently been some positive enquiries made from local childminders.

A discussion took place around the graphs and charts contained in the report including:

- The deteriorating economic climate and the effect it had on children in care
- Internal and external foster care placements
- Historical figures on placements
- Fostering Recruitment Campaign including successful activity at Culturefest Event
- Pressures on social care following highly publicised cases nationally eg baby P

AUC-23 AUDIT COMMITTEE ANNUAL REPORT 2011/12

The Audit and Information Governance Manager presented the annual report of the operations of the Audit Committee during 2011/12.

The meetings had been reduced to 5 during the 2011/12 year but this had not affected the effectiveness of the committee. Some of the key areas of work covered in this time had

included risk management, governance, treasury management, statement of accounts, fraud and corruption and complaints. The Committee had a busy Agenda through 2011/12 which would continue into 2012/13 due to the changes occurring across the Council and the continued financial constraints. The Terms of Reference of the Committee had been amended by the Committee to reflect changes required in respect to Information Governance and would now go to the Council Constitution Committee and to Council to be approved.

RESOLVED – that the report be noted.

AUC-24 INTERNAL AUDIT AND INFORMATION GOVERNANCE UPDATE REPORT

The Audit and Information Governance Manager presented an update report on the work of Internal Audit during Quarter 1 2012/13 and an update on Information Governance April to August 2012.

A new Internal Audit Team Leader had begun working within the Team in April and there had been a familiarisation and induction into the Council during the quarter. The Audit and Assurance Team's Phase 2 restructure had launched in April and was implemented on 17th September 2012. The team was renamed as Audit and Information Governance as this better reflected the work being undertaken. The restructure had not had an impact on the Audit side of the Team, but following one team member leaving the Authority, a post within the team had been advertised, with increased hours from 18.5 hours to 25 hours and recruitment was currently taking place.

Nine final reports had been issued in quarter 1; these included two amber reports, Market and Cash Collection and Purchase Ledger. A follow up of the implementation of the recommendations had been completed and as a result this had now been upgraded to yellow. Any outstanding issues around Markets and Cash Collection were in the process of being followed up and would be reported back to a future meeting. Further improvements were still required on Abacus, the Adult Social Care financial system, and this remained an amber report. Further follow up work would be undertaken in this area and a report would be brought back to a future meeting.

The Information Governance work programme was making good progress although it had slowed a little due to the accommodation moves. Some 216 Freedom of Information requests had been received during the period 1 April 2012 to 31 August 2012 and 85% of these requests had been responded to within the statutory period, which was 5% above the Information Commissioner's benchmark of 80%. During the same period 24 subject access reports had been received with a 68% performance rate. The team had been re-organised and new procedures put in place to improve this level of performance. A total of 5 internal appeal requests had been received and revised responses/additional information sent and no further action was required. There had been 25 confirmed data breaches with 92% of these breaches being in respect of accidentally sending information to the wrong person. There were 2 cases of lost/stolen information. In order to prevent these happening in the future investigations were undertaken and changes to procedures implemented and, if necessary, disciplinary action was taken. On 28th May 2012 the Information Commissioner had fined the Council £72,000 in respect of 2 data breaches that had been voluntarily reported by the Council.

A discussion took place including:

- ICO fine

RESOLVED – that the report be noted.

AUC-25 EXCLUSION OF PRESS AND PUBLIC

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

AUC-26 CAPITAL RECEIPTS UPDATE

The Assistant Director: Development Business and Housing gave a verbal update on the capital receipts.

The disposals of assets were at different stages:

- Sold and funds received
- Completion
- Sold Subject to Contract
- Currently being advertised for sale
- Seeking Planning Permission

Some of the assets were proving a little more difficult than others due to lack of interest in the open market. A schedule for disposal of assets had been drawn up covering 2012/13, 2013/14 and 2014/15 but this would be subject to change in response to market trends. The budget was currently on target for 2012/13 capital receipts and this was being monitored closely.

A discussion took place including:

- Shortfalls
- Security of empty properties
- Maintenance costs of vacant sites

RESOLVED – that the information be noted.

The meeting ended at 7.11 p.m.

Chairman:

Date: