

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 25th June 2013 at 6.00 pm in Meeting Room 7, Ground Floor, Darby House, Telford

PRESENT: Councillors R Sloan (Chair), K Austin, D Davies, S A W Reynolds, W L Tomlinson.

Officers: J Eatough (Assistant Director: Law, Democracy and Public Protection), J Marriott (Audit & Information Governance Manager), P Harris (Finance Manager), B Morris (Finance Manager) and J Clarke (Democratic Services Support Officer).

AUC-1 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 26th March 2013 be confirmed and signed by the Chairman.

AUC-2 APOLOGIES FOR ABSENCE

Cllr I Fletcher and KPMG

AUC-3 DECLARATIONS OF INTEREST

Cllr R Sloan declared a personal interest in relation to item 10 on the Agenda – Corporate Anti-Fraud and Corruption Policy – as an employee of the Department for Work and Pensions (but had no involvement with anti-fraud activities).

AUC-4 REVIEW OF THE TERMS OF REFERENCE FOR THE COMMITTEE

The Assistant Director: Law, Democracy & Public Protection advised the Committee that the Terms of Reference of the Committee should be reviewed at the first meeting of each new municipal year.

As some changes had been made during the 2012/13 municipal year to reflect the changes to audit and information governance it was considered that no further changes would be needed at the present time.

AUC-5 EXTERNAL AUDIT PLAN 2012/13

KPMG had given their apologies for not being able to attend at the Audit Committee meeting. It was suggested that any issues or questions raised be passed on to KPMG.

KPMG would start work at the Council on their Audit on Monday 1st July 2013.

A discussion took place regarding the use of off-shore audit resources. Some questions had been raised with KPMG at the last meeting of the Committee regarding the security of data and value for money. It was suggested that this was monitored during the forthcoming audit. Comparisons with the previous audit could then be made and any differences noted and any questions then be raised with KPMG when they present their report on the audit of the accounts at the September meeting.

RESOLVED – that the report be noted.

AUC-6 FEE LETTER 13/14

As KPMG were not in attendance at the meeting it was suggested that any queries regarding the Fee Letter would be passed on to them.

No questions were raised during the meeting regarding the letter and it was

RESOLVED – that the Fee Letter 2013/14 be noted.

AUC-7 TREASURY MANAGEMENT – 2012/13 ANNUAL REPORT AND 2013/14 TO DATE

An update was given by the Finance Manager on the outcome of Treasury Management activities for 2012/13 and details the position for 2013/14 to date.

The treasury portfolio ended the year with net indebtedness of £79.2, a reduction of £15.4m compared to the position at 31 March 2012. Base rate was 0.5% for the whole year and was predicted to stay at 0.5% until mid 2016.

Maturing investments were used to reduce borrowing where possible and to reduce risk. Borrowing was £37m lower at 31 March 2013 compared to 31 March 2012 which was due to £6m repayment of PWLB loans and a reduction in temporary borrowing at year end.

The average return on investments for the year was 3.86% against a benchmark of 0.49%. Comparative information from the Council's treasury advisors, Arlingclose, highlighted that the Council's rate of return was significantly higher than their other local authority clients.

Overall, treasury delivered a net over-achievement of £0.923m against the budget in 2012/13.

The strategy for 2013/14 remains consistent with that of the previous year. Investment opportunities will be reviewed as they arise following advice from Arlingclose.

There had been no new borrowing undertaken to date in 2013/14. Investments were £63m at 31 May 2013.

There were no breaches of the Prudential Indicators set at Full Council and none had been amended.

A discussion took place including:

- Shropshire Council debt
- Strategy to reduce borrowing and the achievements against the targets
- Capital receipts

The Chair, together with members of the Committee congratulated and thanked the officers, together with Arlingclose, for their achievement and hard work.

Members were notified that the 2012/13 Statement of Accounts would be circulated to them by the end of week beginning 24th June, before the commencement of the external audit (which began on Monday 1st July 2013). Any queries or questions should be sent to either Pauline Harris or Bernie Morris. The final audited accounts would be presented formally to

the Committee in September with a training/update workshop held in advance of the meeting.

RESOLVED – that

- a) the report be noted; and
- b) the performance against the Prudential indicators was noted.

AUC-8 INTERNAL AUDIT UPDATE REPORT – QUARTER 4 2012/13

The Audit & Information Governance Manager gave an update on the work of Internal Audit for quarter 4, January to March 2013.

The key focus for the team during quarter 4 was the completion of fundamental audits. The informal feedback on the work which had been undertaken was satisfactory. The Audit and Information Governance Manager continued to support the transfer of the Public Health function to the local authority.

During quarter 4, 28 reports had been issued which included 1 follow up report. There had been some very well prepared areas, ie Schools, which meant that the work was undertaken well under time, whereas some areas had needed additional testing which had taken longer than first envisaged.

Two red reports had been issued during quarter 4 - Foster Care Form F Assessments and Corporate Parenting - following requests from Senior Management due to concerns regarding processes and their desire for an independent review. After help and consultation from the Audit team the recommendations and changes had been implemented. A follow up report had since been undertaken on the Form F Assessments and the report had now moved from red to green.

There were six amber reports issued during quarter 4 – Children’s Placements, Term/Service Contracts, Newport Infant School, Arthog, Car Parking and Purchase Ledger. Children’s Placements had now moved from amber to yellow as a result of the follow up process. Follow up work for the other areas had been scheduled shortly or was currently ongoing. Two of the original amber reports continued to remain amber – Abacus review and Markets cash collection review. It was reported to the Committee that since writing the report the markets cash collection follow up had now been undertaken following the implementation of its restructure and new procedures and this had resulted in the report moving to green. With regard to the Abacus review it had been agreed that Senior Managers attend at the September Audit Committee if no further progress had been made by then.

A discussion took place regarding the fair reporting of requests for independent reviews.

RESOLVED – that the report be noted.

AUC-9 2012/13 INTERNAL AUIDT & INFORMATION GOVERNANCE ANNUAL REPORT

The Audit & Information Governance Manager presented a report on the 2012/13 Internal Audit and information Governance Annual Report.

The planned Internal Audit resources for 2012/13 had been 1032 days plus 58 days specialist IT audit provided under contract from an external provider, which were approximately 8% less than the previous year. Based on the work undertaken during the year Internal Audit could provide reasonable assurance that the systems of internal control within the Council were operating adequately and effectively. Where necessary the Committee had invited Senior Members to give explanations and reassure the Committee.

During 2012/13 60 reports were issued with red and amber reports being reported to the Committee.

External Auditors assess the performance of Internal Audit each year against the CIPFA Code. KPMG have undertaken the 2012/13 review and there had been no indication of any adverse findings. Any actions required would be incorporated into the Internal Audit 13/14 key tasks list.

An Internal Audit benchmarking exercise had been undertaken which supported good performance.

In respect to Freedom of Information (FOIA) requests, the ICO benchmark of 80% of FOIA requests being responded to within 20 working days also compared favourably (90%). During the reporting period there had been 11 appeals from requestors who were unhappy with the responses they had received from their FOI requests. There had been 1 referral from the Information Commissioner (ICO).

Between 1 April 2012 and 31 March 2013 65 Subject Access Requests (SARs) had been received and 82% of the SARs had been processed within the 40 calendar day deadline. This was a positive improvement and compared favourably with the ICO's benchmark of responding to 80% of SARs within 40 calendar days.

During the period 1 April 2012 to 31 March 2013 there had been 97 reported instances of possible data breaches. Following Information Governance investigations it was confirmed that 51 data breaches had occurred. None of the data breaches detailed met the ICO's rationale for reporting serious breaches to them. In June 2012 the ICO fined the Council £90,000 (reduced to £72,000 for prompt payment) for 2 data breaches that took place in May 2011. Appendix B to the Report gave a half-yearly update containing information and lessons learnt from data breaches. It was the expectation that reminders would reinforce the requirements and responsibilities to all staff.

For Audit and Information Governance 2012/13 had been a challenging but successful year with further challenges to come within 2013/14.

A discussion took place including:

- Annual Governance Statement
- ICO's fine
- Concern regarding any further reductions to Internal Audit staffing levels
- FOI requests

RESOLVED – that the report be noted.

AUC-10 CORPORATE ANTI-FRAUD & CORRUPTION POLICY 2012/13 ANNUAL REPORT AND POLICY UPDATE

The Audit & Information Governance Manager presented a report on the Corporate Anti-Fraud & Corruption Policy update and the 2012/13 annual report.

The Anti-Fraud and Corruption Policy supported the corporate governance standards of conduct and promoted high standards of ethics and conduct.

Due to the current economic climate indications from Police and Government statistics suggested that fraudulent activity would continue to increase during the recession and the Council needed to be vigilant in respect of Council services and the community. This involved counter fraud investigations with Benefits, Internal Audit, Trading Standards and Licensing. Procedures and controls were in place in order to minimise the opportunity for any fraud and would highlight any possible activity that may have occurred.

The benefits caseload had increased over the past 12 months and data matching was undertaken through the Department for Work & Pensions (DWP), the Housing Benefit Matching Service (HBMS) and the National Fraud Initiative (NFI). During 2012/13 a total of 348 investigations were closed of which 192 proved positive. Of this total, 81 cases received a formal sanction:

- 39 Prosecutions
- 22 Administrative Penalties
- 20 Formal Cautions

The terms of reference for the Audit Committee set out that the Anti-Fraud & Corruption Policy should be updated every 2 years. As the Policy was last approved in June 2011 a draft Anti-Fraud and Corruption Policy 2013 was attached to the report at Appendix B. It was asked that the Committee agree the changes to the Policy which would then go on to Council for adoption.

RESOLVED – that

- a) the 2012/13 Annual report on Corporate Anti-Fraud and Corruption activity be noted; and**
- b) the updated Anti-Fraud & Corruption Policy be agreed and be recommended for adoption at full Council.**

AUC-11 THE ANNUAL GOVERNANCE STATEMENT 2012/13

The Audit & Information Governance Manager presented the Annual Governance Statement for 2012/13 prior to the statement accompanying the 2012/13 annual accounts, which was attached at Appendix A to the report.

The statement was developed based on the CIPFA guidance and included an action plan designed to continue to improve the existing governance arrangements. It outlined that the Council had been adhering to its Local Code of Corporate Governance and continued to review procedures and demonstrate good corporate governance and had in place robust systems of internal control. During the organisational changes in 2012/13 the revised governance arrangements had continued to support proper governance and where required changes to procedures had been agreed by Senior Management Team (SMT). Changes to

the Constitution had been agreed by the Council through the Council's Constitution Committee.

The Annual Governance Statement set out the Council's governance arrangements that operated during the period 1st April to 31st March 2013 and measured the effectiveness of them.

There were 6 actions identified for 2013/14 including:

- Organisation/structure changes
- Decision making
- review of workforce development
- Continued work with Health and Wellbeing Board
- Ofsted inspections
- Commercial projects

A discussion took place including:

- Improvements in the governance of Health and Wellbeing Board
- Commercial Board

RESOLVED – that

- a) the Committee approve the Annual Governance Statement 2012/13; and**
- b) the information contained within the report be noted.**

**AUC-12 RESULTS OF THE SKILLS AUDIT FOR AUDIT COMMITTEE MEMBERS
MAY/JUNE 2013**

The Audit & Information Governance Manager presented the results of the Skills Audit for Audit Committee Members which was undertaken in May/June 2013.

The questions used were based on the terms of reference of the Committee and previous skills surveys undertaken. The results of the survey would then be used to inform any training and awareness programme for the Audit Committee Members.

The return rate for the forms was 57% (4 out of 7) and the results were attached to the Report at Appendix A.

Additional training had been requested on the following areas:

- General legislation, rules and regulatory frameworks governing the Council;
- Treasury Management (strategy, practice & reporting)
- Council's Anti-Fraud & Corruption Strategy
- Council's Information Governance Framework

Members were also of the view that they would like to be kept informed on the following topics:

1. Priorities and progress of the Co-operative Council
2. Council's structure, key relationships and partners
3. Changes to external audit arrangements

4. Financial accounting and reporting arrangements
5. The development of the Council's commercial activities

It was suggested that some of the items could be undertaken through the wider Member Development Programme with items 3 and 4 being undertaken within the current Audit Committee reporting arrangements.

Training on the Statement of Accounts would be undertaken prior to the next meeting of the Committee in September 2013 and Treasury Management training prior to the February 2014 meeting.

A discussion took place including:

- Awareness of commercial activities
- Understanding the Co-operative Council
- Governance

A discussion took place regarding co-optees for the Audit Committee. This was to be included on the annual report and no further action was required at this stage.

It was suggested that a training programme be drawn up and put on the Agenda for September.

RESOLVED – that

- a) the training programme be included as an Agenda item on the 17th September 2013 agenda; and
- b) the report be noted.

AUC-13 OUTLINE OF BUSINESS FOR FUTURE MEETINGS – 13/14

The Audit & Information Governance Manager presented the outline of business for 2013/14.

The outline of business was agreed with the addition of:

- Training
- Abacus Report (if required)

being added as Agenda items for the September 2013 meeting.

The meeting ended at 7.08 p.m.

Chairman:

Date: