

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Monday, 30<sup>th</sup> June 2014 at 6.00 pm in Meeting Room 7, Ground Floor, Darby House, Telford**

**PRESENT:** Councillors R Sloan (Chair), K Austin, I T W Fletcher, A Lawrence, C Mason, S A W Reynolds, W L Tomlinson

**Officers:** R Partington (Managing Director), P Taylor (Statutory Director of Adult Social Services), D Sidaway Director of Development Business & Customer Services), R Smith (Assistant Director: Adult Social Services), K Clarke (Assistant Director: Finance, Audit & Information Governance), F Mercer (Co-operative and Commercial Projects Manager), J Marriott (Audit & Information Governance Manager), B Morris (Finance Team Leader), and J Clarke (Democratic Services Support Officer).

#### **IN ATTENDANCE:**

A Bunting – KPMG  
I Pennington – KPMG

Following Cllr D Davies standing down from his duties on the Audit Committee the Chair thanked Cllr Davies for all of the work he had undertaken during his time on the Audit Committee. The Chair also welcomed Cllr C Mason who had joined the committee in place of Cllr Davies.

#### **AUC-01      MINUTES**

**RESOLVED** – that the minutes of the meeting of the Audit Committee held on 28<sup>th</sup> January 2014 be confirmed and signed by the Chairman.

#### **AUC-02      APOLOGIES FOR ABSENCE**

None

#### **AUC-03      DECLARATIONS OF INTEREST**

None

#### **AUC-04      REVIEW OF THE TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

J Marriott gave a verbal update on the current position with regard to the Terms of Reference of the Audit Committee.

The Terms of Reference had been reviewed during the year and gone through the Council Constitution Committee and then to Council and no further amendments were needed at this time.

#### **AUC-05      KPMG INTERIM VISIT LETTER 2013/14**

I Pennington from KPMG informed the Committee that following circulation of the Interim Visit Letter for 2013/14 with the Agenda there was nothing further to report.

The Audit was due to start on the 1<sup>st</sup> July and a report would be brought back to the September meeting of the Audit Committee.

**AUC-06      KPMG GRANT CERTIFICATION LETTER 2013/14**

A Bunting from KPMG presented the Letter of Certification of 2013/14 Grant Claims and Returns, which had been circulated prior to the Audit Committee Meeting.

The Audit Commission had announced changes in the programme of claims and returns that were being made to certification arrangements for 2013/14 and based on this information the work undertaken during 2013/14 would be the Housing Benefit Subsidy Scheme.

Further details regarding this work were appended to the report at Appendix A.

**AUC-07      KPMG FEE LETTER 2014/15**

I Pennington from KPMG reported to the Audit Committee the annual audit fee for 2014/15. The main fee remained unchanged from 2013/14 and was in line with the scale of fees recommended by the Audit Commission.

The fee quoted for 2013/14 for the certification work differed slightly from the original figure quoted in the fee letter. This was due to the scale fee being revised by the Audit Commission and the scope of certification work being reduced, details of which could be found in the fee letter.

A question was raised as to who would undertake the audit of localised council tax schemes. This audit would be undertaken by the Internal Audit Team.

**AUC-08      ABACUS UPDATE**

P Taylor and R Smith gave a joint report on the current position with Abacus.

R Smith and P Taylor had recently held a meeting with the Chair and J Marriott to give them an update of the position prior to the Audit Committee Meeting. There had been a lot of improvements although at this time they could not totally assure the Committee that all of the recommendations had been completed.

The four main areas of concern were:

1. Selecting against price
2. Potential financial costs
3. Potential overpayments
4. Duplicate forecasting capacity

The concerns regarding these four areas dated back to 2011.

Item 1 – selecting against price - A brokerage system was now in place for home care providers and all suppliers were contacted by a secure e-mail to tender. The cheapest was always selected where possible although careful consideration was given to safeguarding issues and duties.

There had been further developments with regard to the domiciliary care contract and there was now a framework in place and caps on the pricing which was £14.50 rising to £16.50 for

very complex cases. Some 47 providers had signed up to the new framework which was a very positive step forward.

Item 2 – Potential financial costs – R Smith was now able to reassure the Committee that there was now a system in place where any care support package could only be considered if a declaration of income had been completed. This request was now triggered at the point of referral. There had been improvements with regard to hospital transfers and the loophole had now been closed. R Smith now chairs a weekly Panel which looked at all referrals for care and support.

Item 3 – Duplicate payments – There was now a system in place which allowed no tolerance on payments therefore avoiding duplicate payments, although this did create queries when small differences occurred ie with mileage costs and bank holiday payments. R Smith reassured the Committee that he was confident duplicate payments could no longer take place.

Item 4 – Forecasting – R Smith reported that this was a slightly more complex issue, but that it was moving in the right direction. The care first system and abacus system did not currently interlink. An upgrade to the systems was due to take place in the Autumn which should resolve many issues and would allow up-to-date financial information to be available at the push of a button. There was now a robust process in place which was checked at the weekly Panel. Some manual forecasting did still take place but manual systems were now in place.

J Marriott and C Hall-Salter had led an independent review on information sharing and all staff would have received an induction and training by 19<sup>th</sup> August 2014. This would lead to the work force being competent in using the systems which would put them in a far better place. This was still a work in progress.

J Marriott reported that the issues had been identified and the new processes were being put in place. Training was due to be completed shortly and that, together with the training and the better use of the systems, a more streamlined approach and robust responsibilities would be a good start to moving this forward. There was still some work to be done.

A discussion took place including:

- Tenders – pre-vetting of service providers
- Providers must be registered with the Care Quality Commission
- Providers must sign up to the Council Quality Standards

The Committee asked for a further report to be brought back to the Audit Committee and that a written report was more preferable.

The Chair thanked the Team for the work they had undertaken so far and requested that a further report be brought back to the January 2015 meeting.

**RESOLVED – that a report on Abacus be brought back to the Audit Committee to be held in January 2015.**

#### **AUC-09      COMMERCIAL BOARD UPDATE**

R Partington and F Mercer presented a report on the Commercial Board.

R Partington updated the Committee on the budget cuts that the Government had made. Some £53m of cuts had been made up to the 31<sup>st</sup> March 2014 which had been managed not to impact on front line staff. The forecast for the next year was total cuts of £68m which was a net budget of £130m. The Council were trying to reduce its dependency on Government Grants and had been through re-organisation processes from the top through to the bottom which was aimed at getting a grip on costs and preventing duplication.

The work that had taken place was to move to a more commercial approach. There had been a lot of ideas forthcoming from service areas around reducing dependency on grants and increasing income. Income targets had been set to introduce income generation as part of the day job. They had been pro-active in asking staff for ideas around saving and income generation and had taken an entrepreneurial approach to insulate the Council from further cuts.

The Council had asked the staff for ideas and actively encouraged people to bring forward any business cases, big or small, to be considered. Any business cases which made sense would be backed.

It was not just all about the commercial strategy and selling services, but ensuring all business rates were collected in. This year £1m business rates had been identified that had not been paid but had now been collected. Other income sources were the new homes bonus which could be accessed through good planning which would also increase the amount of Council Tax receipts. The new homes bonus equated to £1,000 per year, per house for up to 6 years and for every dwelling that was brought back into use.

F Mercer reported that the Council had begun to sell services to schools outside Telford and Wrekin Council as they had a good track record with local schools. The uptake could be improved and in January 2014 the council promoted the services to schools both within Telford and Wrekin and Shropshire. The numbers of schools now on board had gradually increased to 40 and the Council had now won 17 new contracts totalling £184,000 the majority of which was from Shropshire Schools. There was a further contract pending which, if secured, would be worth a further £25,000.

The Team were encouraging schools to access a one-off service initially ie training in order for them to gain confidence with the Council which would hopefully lead them to buy into further services offered by the Council. Referrals from schools which already accessed services were also being received.

The next steps were to continue to promote the Council's services, but also nurture the relationships with the schools who already bought into services in order to keep their business when the contracts come up for renewal in April 2015.

It was also hoped to promote to other groups of customers through new web pages.

There was now a single point of contact for Parish and Town Councils which had been launched at the Parish forum on the 24<sup>th</sup> June and had been well received.

Further work was being undertaken to develop offers of help to small and start-up businesses and bringing the hire of venues all into one place and making this user friendly with a link to services such as catering. This work was a work in progress.

The Catering Team had won a contract to provide catering services at Haughmond Hill Café and the cleaning services had also won contracts which had totalled £300k+. These small projects added together could add up to significant amounts

Some new large commercial projects and initiatives which were taking place were the housing programme and the solar farm.

The Solar Farm had now secured planning permission and grid connection which added significant value to the site. Six bidders had been invited to tender and these would be back by the 10<sup>th</sup> July. It was hoped that the project would be up and running by the end of November and would become a significant income stream.

Sponsorship and Advertising was being looked at with scope to expand the selling of roundabouts. Sponsorship was also being sold for T Party and T Live. Advertising was also being sold in Your Voice which hoped to raise a further £100k in additional income. In total over 3100k of income had been generated in sponsorship over the last few months. Advertising was also now available on the top 10 pages of the website together with advertising in Southwater.

An eBay account had been opened and this had generated a small sum of £5,000 selling unwanted items.

Business Switch and Save – this price comparison site had been launched which aimed to help save businesses money on their energy bills. The Council made a small commission on each sale. This was more about supporting local businesses, but uptake had been slow.

The team asked that Members as well as employees pass on any ideas for business and also any experiences of service or customer feedback.

A discussion took place including:

- Rental of public sector body empty office space – ie Malinsgate Police Station
- Payroll/Accountancy – selling of services to outside bodies
- Energy Savings Comparison Site for residents of Telford and Wrekin
- Commercial properties – keeping them up-to-date and well-maintained
- Commercial Board – Informal Working Group – not decision making body
- Governance arrangements for the Housing Project – keeping a controlling interest
- Focus on producing income and less on staff cuts

#### **AUC-10      TREASURY MANAGEMENT – 2013/14 ANNUAL REPORT AND 2014/15 TO DATE**

B Morris presented a report on the Treasury Management for 2013/14 and on 2014/15 to date.

The treasury portfolio ended the year with a net indebtedness of £102.1m (borrowing: £125.6m less investments: £23.5m), an increase of £22.9m compared to the position at 31 March 2013. Base rate was 0.5% for the whole year and was predicted to stay at 0.5% until 2016.

Overall, treasury delivered a net over-achievement of £1.546m against the budget in 2013/14. This included £250,000 which was generated as a one-off saving in 2013/14 as a result in changing the accounting policy in relation to capitalisation of interest on capital projects pending their completion.

A one-off benefit of £4.884m was also generated as a result of an adjustment to the

Minimum Revenue Provision (MRP). This provision would help to fund the Pride in Your Community Initiative for the next 12 years.

The total over-achievement against budget was £6.5m on treasury management activities for the year.

For 2014/15 to date, there had been a £400k over-achievement due to benefits arising from active management and re-phasing of capital spending from 2013/14.

There would be a number of amendments to the prudential indicators to accommodate very significant capital regeneration projects and Council approval would be sought to increase the following:

- Capital Expenditure
- Gross Debt
- Capital Financing Limit
- External Debt
- Operation Limit for External Debt

It was also proposed to amend the limit to non UK Sovereign Counterparty Limits to a total of £20m, subject to them meeting the requirements in terms of the security of the counterparty.

A discussion took place including:

- Base rate increase
- Investments
- Shropshire Council Debt
- Capital Receipts
- Higher spending on projects and managing higher debts
- Business cases to assess the level of risk against the debt
- The necessity of Members continuing to ask the questions

It was suggested that an invitation be sent out to the Members of the Budget and Finance Scrutiny Committee to attend the September Meeting of the Audit Committee which would discuss capital receipts.

#### **RESOLVED –**

- a) that members of the Budget and Finance Scrutiny committee be invited to attend the September meeting of the Audit Committee;**
- b) that the contents of the report be noted;**
- c) that the performance against Prudential Indicators be noted;**
- d) that the proposed amendment to non UK sovereign counterparty limits be approved;**
- e) TO RECOMMEND to COUNCIL that the increases in Authorised and Operational limits for 2014/15 to facilitate the Council to potentially undertake very significant capital regeneration investments of a commercial nature, and the other changes to prudential indicators, be approved.**

## **AUC-11      DRAFT FINAL ACCOUNTS 2013/14**

B Morris reported that the draft Statement of Accounts for 2013/14 had been circulated to members prior to the meeting. There was a lot of information for members to take in and there may be one or two amendments to be made.

It was suggested that the Members read the Foreword to the draft Accounts which gave the best explanations of the accounts including changes that have happened to the Council which included:

- Costs in terms of the Council's services
- Council Tax discount
- Public Health

The accounts would come back to the September meeting of the Audit Committee following audit and it was suggested that Members contact the Finance Team if they have any queries or questions prior to September.

Members were also reminded about the training session that would take place prior to the September meeting regarding the Annual Statement of Accounts.

## **AUC-12      INTERNAL AUDIT UPDATE REPORT – QUARTER FOUR 2013/14**

J Marriott presented the Internal Audit Quarter Four update report 2013/14 which gave details of the work undertaken in this period.

There had been 30 reports issued within Quarter Four and details of these could be found at Appendix A to the report.

Appendix B to the report listed all of the work undertaken within Quarter Four for a period of 1 day or more.

Details of previously graded reports from October 2011 to December 2013 with their current status could be found at Appendix C to the report.

Appendix D gave a summary of the amber and red reports which had been issued in Quarter Four which included 6 amber reports and 2 red reports. Since the report had been written a follow up had been completed for Oakengates Children's Centre and it had moved to yellow and Dawley Primary School was due to be undertaken and follow ups for the other areas were planned.

Five reports remained amber which were:

- Abacus System
- Car Parking - superceded
- Transport PIR
- Moorfield Primary School
- Service User Journey

A discussion took place which included:

- Follow up on Recommendations
- Recommendation of Training, if required

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

**AUC-13      2013/14 INTERNAL AUDIT AND INFORMATION GOVERNANCE ANNUAL REPORT**

J Marriott presented the Internal Audit and Information Governance Annual Report for 2013/14.

Members were informed that there had been new standards from April last year and revised requirements. They were similar to those previously used.

The table at 5.15 to the report set out the number of reports that had been issued and the types of recommendations made during the year. This also showed the split in gradings. There had been a decrease in the number of financial regulations recommendations, but an increase on the number of legal recommendations.

This change was thought to be related to re-structures where staff had come into new roles and may not fully understand their roles, policies and procedures.

Further work was being undertaken with regard to data protection which also generated legal recommendations.

Customer feedback had remained constant except for a slight decrease in communication.

The Information Governance Annual Report set out the Information Governance arrangements for the Council and information regarding subject access requests and freedom of information requests.

There had been a large increase in the number of Freedom of Information requests although the Council was responding well within the ICO's guidance of 80% in 20 days.

There had been 163 reported cases of data security incidents of which 83 had been confirmed. This was a slight percentage decrease on last year. The main categories were very similar and the most common being information being sent or made available to the wrong recipient. Appendix B to the report showed the lessons learnt which was circulated to the staff every six months.

Appendix C to the report set out the Governance work programme which included information requests compliance work and updating policies and procedures.

This was positive report but there would continue to be challenges during 2014/15 as the cuts in services continue.

This document supported the Annual Governance Statement.

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

**AUC-14      THE ANNUAL GOVERNANCE STATEMENT 2013/14**

J Marriott presented the Annual Governance Statement for 2013/14 which outlined whether the Council had been adhering to its Local Code of Corporate Governance, continually reviewing procedures to maintain and demonstrate good corporate governance and that it

had in place robust systems of internal control. During 2013/14 the Council could be assured that during the organisational changes that the revised governance arrangements continued to support proper governance.

Appendix A to the report set out the Annual Governance Statement for 2013/14. Some of the reviews which had taken place included:

- Management
- Internal Audit
- Information Governance
- Scrutiny
- External Audit
- CQC
- Ofsted
- Peer Reviews of Children's Services and Adult Services

These all provided a recognition of where things were being done well and identified areas of improvement.

Annex 1 to Appendix A set out the Action Plan to ensure continued robust Governance arrangements.

**RESOLVED – that**

- a) the Annual Governance Statement 2013/14 be approved; and**
- b) the information in the report be noted.**

**AUC-15      INTERNAL AUDIT PLAN AND INFORMATION GOVERNANCE WORK PROGRAMME 2014/15**

J Marriott presented the Internal Audit Plan and Information Governance Work Programme 2014/15.

Due to only 3 meetings a year these plans were presented now for approval but clearly work has continued and Quarter one of the work plan had almost been completed. Appendix A – Plan 2014/15 to the report also showed how the work linked to the priorities and objectives.

The planned resources for 2013/14 were 931 days plus 45 days specialist ICT audit work (total of 976 days). For 2014/15 the resources are 963 days plus 55 days specialist ICT audit work (total of 1018). This increase has been achieved by a restructure including removal of the Team leader post and replacing it with two full time auditor posts and half an apprentice. The increase in specialist IT audit days has been achieved by procurement savings arising from the Council entering into a framework agreement with Staffordshire, Shropshire and Worcestershire Councils.

There may be a necessity to put some general work out, possibly on short-term contracts, due to being unable to appoint to a post. This was currently being investigated with the Procurement Team.

Appendix B to the report was the Information Governance Work Programme for 2014/15 which showed the Team's role of compliance and investigation of data breaches.

**RESOLVED** – that

- a) the Internal Audit Plan 2014/15, attached as Appendix A to the report, be approved; and
- b) the Information Governance Work Programme for 2014/15 be noted.

**AUC-16      OUTLINE OF BUSINESS FOR FUTURE MEETINGS 14/15**

J Marriott presented the outline of business for 2014/15 which included for September:

- Update on Capital Receipts
- Anti-fraud and corruption
- Strategic risks

For the January 2015 meeting there would also be an update on Adult Social Services.

There would also be Treasury Management Training before the January 2015 meetings.

A Commercial Board update would be brought back to the Audit Committee.

The meeting ended at 7.41 p.m.

**Chairman:**

**Date:**