

## AUDIT COMMITTEE



### Minutes of a meeting of the Audit Committee held on Tuesday, 19 September 2017 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

**Present:** Councillors R J Sloan (Chair), C F Smith (Vice Chair), I T W Fletcher, K S Sahota, W L Tomlinson and D G Wright

**In Attendance:** K Clarke (Assistant Director: Finance & Human Resources), S Dodd (Service Delivery Manager: Governance & Legal Services), J Dunn (Service Delivery Manager: Estates & Investments) (For item AUC-26), T Drummond (Principal Auditor), C Hall-Salter (Service Deliver Manager: Service Improvement & Efficiency) (Until 7:20pm), P Harris (Finance Manager: Corporate & Capital) (until 7.01pm), R Montgomery (Audit & Governance Team Leader), B Morris (Finance Team Leader) (until 7.01pm), M Breese (KPMG), I Pennington (KPMG), S Worthington (Democratic & Scrutiny Services Officer)

#### **AUC 14      Apologies for Absence**

None.

#### **AUC 15      Declarations of Interest**

None.

#### **AUC 16      Minutes**

**Resolved** – that the minutes of the meeting of the Audit Committee held on 27 June 2017 be confirmed and signed by the Chairman.

#### **AUC 17      TREASURY MANAGEMENT – UPDATE FROM ARLINGCLOSE**

A presentation was delivered by P Katrak, Client Director Arlingclose, which provided the Committee with an update from the Treasury Advisors on the economy and outlook. The political situation had considerably changed since the previous year, following the US Presidential Election and the situation in North Korea. In the UK, the election in June 2017 had weakened the government and Article 50 had been triggered.

The Bank of England were likely to raise the base rate, but likely only to 0.5%. Even if the rate was to increase to 0.5%, this was still at a very low level historically. Average earnings had not kept up with inflation. It was the view of the Council's treasury advisors the rates were likely to remain at low levels for a considerable period of time.

Changes had been made to the MIFID regulations, from January 2018, there would be a change in the classification of Local Authorities, where they would be 'retail'

clients, unless they opted up to 'professional'. Retail clients would pay higher fees and reduced access to products.

CIPFA were in consultation for changes to the treasury management code. There were changes to the definition of 'investments', it was proposed to expand this to include non-treasury investments. Failing banks would be 'bailed in' rather than 'bailed out', where the investors would participate in the restructure of a failing bank.

In respect of the Local Authority's debt portfolio, the advisors confirmed this was an efficient portfolio, the Council borrowed when required. A discussion was held regarding commercialisation and managing risks associated with this.

## **AUC 18      REPORT TO THOSE CHARGED WITH GOVERNANCE 2016 / 17**

The Committee received the External Audit Report presented by KPMG which summarised the key findings arising from the Council's audit work, in relation to the 2016/17 financial statement and the work to support KPMG's 2016/17 conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources (VFM conclusion).

KPMG informed members that this had been a good audit and it was anticipated an unqualified audit opinion on the Authority's financial statements would be issued by 30 September 2015.

Three recommendations had been raised in respect to:

- Related party declarations
- 2017/18 Early Closedown
- Completeness of valuation information

One audit adjustment with a total value of £0.5 million had been identified, however, this was to be included in the 2017/18 accounts.

## **AUC 19      IMPLEMENTATION OF AMBER REPORT ACTIONS (ADULTS & CHILDREN) & SYSTEM REVIEW IMPLEMENTATION UPDATE**

The Service Delivery Manager: Service Improvement & Efficiency provided a verbal update. A Quality and Complaints Officer had been recruited to work alongside the Audit team to ensure audit recommendations were acted on in a timely manner.

In response to a question, the Service Delivery Manager: Service Improvement & Efficiency confirmed that each level of management was accountable for their service's delivery and areas of failing were highlighted. The Managing Director was keen to ensure increased accountability across the Senior Management Team in respect of audit findings.

In respect of the systems review, the Service Delivery Manager: Service Improvement & Efficiency confirmed this was due for renewal in March 2018. This had been an ideal opportunity to review processes. Work had taken place to obtain a new supplier and contracts were due to be signed. Telford & Wrekin had worked with

Shropshire Council to obtain a discounted service rate. The same system would be used across adults and children's services, and the case recording and financial systems would be linked.

## **AUC 20      AUDITED ANNUAL STATEMENT OF ACCOUNTS 2016 / 17**

The Committee received the report on the outcome of the audit of the Council's accounts for 2016/17 and the final Statement of Accounts for approval.

In accordance with the Accounts and Audit (England) Regulations 2015 the Committee noted that the draft statement of accounts had been:

- certified by the Chief Financial Officer prior to the 30 June,
- presented to Audit Committee on the 27 June
- made available for public inspection
- provided to the external auditors to undertake the audit of accounts.

The Committee used its delegated authority to approve the council's final audited Statement of Accounts; no financial adjustments had been made as a result of the audit and the outturn position remained as reported to Cabinet on 29 June 2017.

Presentational changes identified had been agreed and included in the final version.

### **Resolved that –**

- a) The 2016 / 17 Statement of Accounts be approved**
- b) authority be delegated to the Assistant Director: Finance & HR to make any presentational changes required to the Statement of Accounts prior to publication.**

## **AUC 21      PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2016 / 17**

The Committee received the report on information that was due to be published on Councillors who traded with the Council during 2016/17. The information had been collected as part of the final accounts process to provide better transparency, and was in addition to the declarations of interest.

The information provided details of the 2016/17 year's value and a description of any payments made by the Council to any businesses/companies where that Member had an interest. This information would be readily accessible by the public and demonstrated the Council's co-operative commitment to openness.

Members noted their concern regarding incomplete information in the report for Councillors who were voluntary directors. Members considered that a consistent definition of who was considered to have traded with the council was necessary.

Members considered that the names of Councillors who were voluntary directors of trusts should be removed before publication.

**Resolved that the contents of the report be noted together with the information that will be published on the Council's website.**

**AUC 22      AUDIT COMMITTEE ANNUAL REPORT 2016 / 17**

The Committee received the report of the 2016/17 operations of the Audit Committee. It was noted that as this was the key assurance Committee of the Council, best practice was to present an Annual Report to the Council on the operations of the Committee during the municipal year (May 2016 – April 2017). The structure of the report was based on the terms of reference and included a summary of the business conducted by the Committee during the period.

The Committee noted the conclusions on the work of the Committee during 2016/17, which had included comprehensive agendas providing assurance for Members and the community on the audit, governance (including information governance), risk management, financial statements, treasury management, complaints and anti-fraud and corruption arrangements of the Council. Many challenging questions had been asked by Members who had required senior officers to attend and give account for decisions taken and progress in implementing both internal and external audit recommendations.

**Resolved that the contents of the annual report 2016/17 be noted.**

**AUC 23      2017 / 18 INTERNAL AUDIT QUARTER 1 UPDATE REPORT & INFORMATION GOVERNANCE UPDATE REPORT TO END OF**

The Internal Audit Quarter 1 report was received by the Committee. It provided an update on the progress against the Internal Audit Plan, which included an update on the progress of the previous audit reports issued from end of April to July 2017. The key focus of the team during the quarter had been the commencement of the 2017 / 18 audit plan. The Audit & Governance team restructure had been in place from 12 June 2017.

5 Amber reports had been issued in the quarter, which were detailed in appendix 4 to the report. Members raised their concerns regarding the audit findings in respect of ICT Disaster Recovery and requested that the Assistant Director: Commercial Services and the ICT Service Delivery Manager be invited to the next Audit Committee to discuss the Audit findings.

In respect to Information Governance, the Audit & Governance Team Leader advised that 371 FOI requests had been received in the period, of which 88% had been responded to within the 20 working day statutory period.

**Resolved that the information contained in the report be noted in respect of the work of Internal Audit and Information Governance for quarter one 2017 / 18 against the PSIAS.**

**AUC 24      EXTERNAL AUDITOR PROCUREMENT UPDATE**

The Service Delivery Manager: Governance & Legal Services advised that under Regulation 3 of the Local Audit (Appointing Person) Regulations 2015, the Local Authority must appoint an external auditor and the authority must be consulted regarding the appointment. The appointment would be for a period of 5 years, with a 2 year option.

The proposed auditors were Grant Thornton (UK) LLP. If the committee accepted the appointment, then there was no need to do anything further, however, any opposition must be notified to the PSAA.

**Resolved that no action should be taken in respect of procurement of new external auditors.**

**AUC 25      Exclusion of Press and Public**

**The Chair announced the exclusion of the Press and Public from the meeting for the next 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 Committee received a verbal update on capital receipts; including progress on the programme of disposals and projected disposals. It was noted that every effort had been made and continued to be made to ensure the timing was right for each disposal.

The meeting ended at 8.05pm

**Chairman:** .....

**Date:** .....