

AUDIT COMMITTEE

A

Minutes of a meeting of the Audit Committee held on Tuesday, 27 June 2016 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: P Harris (Finance Manager: Corporate & Capital) (until 6.48pm), R Montgomery (Audit & Governance Team Leader), B Morris (Finance Team Leader) (until 6.48pm), M Breese (Director KPMG), T Drummond (Principal Auditor), S Dodd (Service Delivery Manager: Governance & Legal Services), R Partington (Managing Director) (Until 6.33pm), S Worthington (Democratic & Scrutiny Services Officer)

The Chair noted the Committee's thanks to Jenny Marriott (previously Service Delivery Manager: Internal Audit, Information Governance & Insurance) who had retired from the Local Authority in May. Jenny had worked for the Council since 1989 and had worked tirelessly to ensure the council achieved high standards.

AUC 01 Apologies for Absence

Councillor R Mehta.

AUC 02 Declarations of Interest

None.

AUC 03 Minutes

Resolved – that the minutes of the meeting of the Audit Committee held on 31 January 2017 be confirmed and signed by the Chairman.

AUC 04 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE

The Committee received the updated Terms of Reference outlining the responsibility of the Committee on behalf of the Council to oversee the Council's audit, governance and financial processes. There were no changes to the Terms of Reference from previous years.

Recommended – that the Terms of Reference attached to the report at Appendix A be adopted by Council at its meeting in July 2017.

AUC 05 KPMG REPORTS

A letter had been provided by KPMG on audit progress. It was acknowledged that the planning and interim audit work had been completed in line with the timetable set out in the detailed External Audit Plan, dated January 2017. The Committee noted that KPMG had not identified any significant issues.

The External Audit Plan for 2016 / 2017 had been provided by KPMG, however, this had previously been submitted to the Audit Committee and was noted.

The Fee Letter outlined KPMG's proposals based on a risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd.'s published work programme and fee scales. The planned audit and certification fees for 2017/18 had been presented in comparison with the prior year's fee.

AUC 06 UPDATE ON AMBER REPORTS

The Managing Director reported that of the nine Amber Reports that were reported to the Audit Committee in January, four of these had now progressed to green, three to yellow and two remained amber. In regards to the two remaining amber reports, action plans had been implemented.

The Managing Director advised that the organisation was going through a period of change, however, it was vital that the basics were right. The audit findings had to be viewed within the context of these changes, as staff were in different roles and some experienced staff had left. The Senior Management Team received regular updates on completed audits. The Managing Director held regular meetings with the Audit Manager.

It was noted that a new Service Improvement and Efficiency Team had been implemented and the importance that audit issues were noticed and actioned early.

In response to a question, the Managing Director advised that Brexit did not appear to be having an impact on inward investment in Telford and Wrekin, demand was strong and there was no indication of this dropping off.

R Partington left the meeting at 6.33pm.

AUC 07 TREASURY MANAGEMENT 2016/17 ANNUAL REPORT AND 2017/18 UPDATE

The Committee received the Annual Report that provided an update on the outcome of Treasury Management activities for 2016-17 and detailed the 2017-18 position.

A good outturn position was reported; the treasury portfolio ended the year with net indebtedness of £200.1m. Overall Treasury Management had delivered a net over-achievement of £4.011m against the budget set for 2016/17. The majority of savings related to the benefit of low interest rates on the level of temporary borrowing throughout the year.

An update was provided on the strategy for 2017/18, which remained consistent with that of the previous year. Every effort would be made to gain maximum benefit from investment opportunities and they would be reviewed as they arose. It was reported that there were no long-term investments which reduced the counter-party risk and the net interest costs; longer term borrowing costs were normally greater than the

Council was able to earn on new investments. Borrowing would be required during the year and consideration would be given to the maturity profile of current debt, interest rates and refinancing risks as well as the source, which primarily expected to be the Public Work Loans Board or potentially to fixed market fixed-rate loans. Temporary borrowing was £200m at 31 March 2017 and had reduced to £200.1m as at 31 May 2017. Investments were £5.58m at 31 May 2017.

The Council had agreed its required indicators at Council on 3rd March 2016. There had not been any breaches of or amendments to the indicators. An Operational limit had been set for external debt of £370m for 2016/17 and an Authorised limit of £392m. Total borrowing outstanding at 31 May 2016 was £217, noted as within both limits.

Resolved that –

- a) **the content of the Treasury Management Annual Report 2016-17 and 2017-18 Update be noted.**
- b) **the performance against Prudential Indicators be noted.**

AUC 08 UNAUDITED STATEMENT OF ACCOUNTS 2016/17

The Committee received the Unaudited Statement of Accounts 2016/17 for approval, certified by the Chief Finance Officer as complying with the requirements of the Accounts and Audit Regulations 2015. This was consistent with the delegated responsibility of the Committee. The Unaudited Statement of Accounts showed:

- the movement in reserves
- the comprehensive income and expenditure account with a deficit of £8.029m compared with the outturn report which showed an underspend of £0.167m. The reason for the difference related to technical transactions for the purposes of IFRS;
- the balance sheet – a ‘snapshot’ of the Council’s financial position as on 31 March 2017, showing net assets of £41.865m, a decrease from £99.159m for the previous year
- the cash flow statement – a net increase in Cash and Cash equivalents of £12.747m
- notes to the core Financial Statement
- the collection fund showing an decrease on the council tax fund balance of £0.909m for the year and the Council’s £2.981m share of the surplus at 31 March 2017, and the business rates, which showed an decrease in the balance on the account for the year of £0.023m and the Council’s £1.653m share of the surplus as at 31 March 2017;
- Group accounts which consolidated the Council’s account with those of NuPlace Ltd providing an overall picture of the Council’s activities.

Resolved to note the unaudited Statement of Account and questions to be raised during the period with the Audited Accounts to be presented for approval in September 2017.

P Harris and B Morris left the meeting at 6.48pm.

AUC 09 ANNUAL GOVERNANCE STATEMENT 2016-17

As required under the Accounts and Audit Regulations 2015, the Annual Governance Statement for 2016/17 had been produced. The statement included an action plan to ensure improvements to existing governance arrangements continued.

Resolved that –

- a) **the Annual Governance Statement 2016/17, attached at Appendix A (including Annex 1) to the report be approved;**
- b) **the information in the report be noted.**

AUC 10 2016/17 INTERNAL AUDIT QUARTER 4 UPDATE REPORT INCLUDING RESULTS OF THE EXTERNAL ASSESSMENT AND INTERNAL AUDIT PLAN 2017/18

The Internal Audit Quarter 4 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 July 2013 to December 2016. The key focus during the quarter had been the completion of the fundamental systems audits. The resources were affected by the external assessment and a new structure within the team.

The Committee received the Internal Audit Plan 2017/18 attached at Appendix G to the report, which had been informed by internal and external sources. The plan had been based on the internal and external resources available for 2017/18. It also included the work identified by the External Auditor for Internal Audit to meet external audit requirements.

A member noted that no reports during Quarter 4 had been graded green and noted their concern in respect of this. The Principal Auditor advised that a matrix system was in place, to ensure the scores were consistent, it was also noted that the several teams had been restructured.

Resolved that –

- a) **the Internal Audit update information for quarter four 2016/17 be noted and the External Assessment against the PSIAS.**
- b) **the Internal Audit Plan attached at Appendix G of the report be approved**

AUC 11 INTERNAL AUDIT, INFORMATION GOVERNANCE & CALDICOTT GUARDIAN ANNUAL REPORT 2016/17

The Committee received the report which provided an annual internal audit opinion and report informing the governance statement and the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The annual report incorporated

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

The report also included annual information in respect to Information Rights legislation (Freedom of information and data protection requests) and security incidents including data breaches.

The report also included annual information from the Caldicott Guardian in respect to the activities of the Council and progress against the action plan.

In respect of Information Governance, the Audit & Governance Team Leader advised that the number of requests under the Freedom of Information Act 2000 had increased by 12% in 2016/17, and of these requests 88% were responded to within the statutory deadline.

The number of data breach incidents had increased by 34% in 2016/17, however, it was noted that this followed significant drops in the previous two years. A discussion was held regarding disciplinary action undertaken following a data breach. Members noted that the General Data Protection Regulations would shortly come into force and this would be a significant change.

Resolved that-

- a) the Internal Audit, Information Governance & Caldicott Guardian Annual Report for 2015/16 be noted**
- b) The 2017 / 18 IG Work Programme be approved**

**AUC 12 2016/17 ANTI-FRAUD & CORRUPTION ANNUAL REPORT AND
UPDATED POLICY 2017/18**

The Committee received the report which included annual information in respect of the Corporate Anti-Fraud and Corruption activity for 2016/17 to enable monitoring of the policies operation. The report provided information for 2016/17 on counter fraud and investigation activities within the Investigation Team (Revenues), Internal Audit and Public Protection. The report also included the requirements of the Local Government Transparency Code on publication of data regarding fraud arrangements.

The report highlighted the changes in the team's caseload and methods of working, as staff have moved to the Department for Work & Pensions.

A discussion was held regarding the low number of referrals to the Investigation Team coming through the Everyday Telford App. It was noted that customers would be required to log in to the app, which may discourage its use.

Resolved that –

- a) the 2016/17 Annual Report on Corporate Anti-Fraud and Corruption activity be noted; and**
- b) the updated Corporate Anti-Fraud & Corruption policy be agreed and to RECOMMEND its adoption by Council.**

AUC 13 OUTLINE OF BUSINESS FOR FUTURE MEETINGS 2017-18

The Committee noted the outline of business for future meetings.

The meeting ended at 7.43pm

Chairman:

Date: