



AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Tuesday, 30 January 2018 at 6.00pm in Meeting Room G3-G4, Addenbrooke House, Ironmasters Way, Telford

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

In Attendance: K Clarke (Assistant Director: Finance & Human Resources) (Until 6:51pm), S Dodd (Service Delivery Manager: Governance & Legal Services), T Drummond (Principal Auditor), P Harris (Finance Manager: Corporate & Capital) (until 6.51pmpm), F Mercer (Assistant Director: Commercial Services) (For item AUC-33), R Montgomery (Audit & Governance Team Leader), I Pennington (KPMG), J Power (Organisational Delivery & Development Manager) (For item AUC-37), E Rushton (Principal Accountant) (until 6.51pm), S Worthington (Democratic & Scrutiny Services Officer)

AUC 27 Apologies for Absence

Councillor R J Sloan.

AUC 28 Declarations of Interest

None.

AUC 29 Minutes

Resolved – that the minutes of the meeting of the Audit Committee held on 19 September 2017 be confirmed and signed by the Chairman.

AUC 30 KPMG ANNUAL AUDIT LETTER 2016/17

The Committee received the Annual Audit Letter presented by KPMG. The report was issued every Audit cycle and summarised information which had previously been reported to Committee.

The outstanding elector question had been closed in October 2017, no significant findings were identified. The 2015 / 16 and 2016 / 17 accounts had been certified and the audits closed.

Members questioned what steps had been taken regarding the outstanding related party declarations, the Assistant Director: Finance & HR advised that the Chair of the Audit Committee had written to the individual members, in future group leaders would be informed of outstanding declarations. Reminders were also to be sent earlier and a short return date provided. Members requested that names of Members who do not return their Declarations be reported to Committee. KPMG confirmed that

an email confirmation was sufficient for this process, there did not need to be a signature.

AUC 31 GRANT REPORT 2016/17

The Committee received the Grant Report presented by KPMG which summarised the work on the Councils grant claims and returns. Detailed testing had taken place on the Council's Housing Benefit subsidy and the Teachers Pensions returns.

A Member questioned if this Audit was a requirement or something that the Council has requested as an additional control, it was confirmed this was a requirement and each Local Authority has the same standard of test.

AUC 32 EXTERNAL AUDIT PLAN 2017 / 18

The Committee received the Grant Report presented by KPMG which summarised the work that would be done in 2017 / 18. Three significant risks had been identified, and a large proportion of the Auditors time would be spent on the following areas:

- Valuation of PPE
- Pension Liabilities
- Faster Close

The Finance Manager: Corporate & Capital advised that a timetable had been implemented to meet the new deadline. It was acknowledged that the timetable for the Auditors work was also brought forward. The Audit fee remained the same as the previous year.

A discussion was held regarding the handover from KPMG to the Council's new external auditors.

AUC 33 DISASTER RECOVERY AUDIT REPORTS UPDATE

The Assistant Director: Commercial Services updated the Committee on the progress of the Audit. The initial audit on disaster recovery took place in April 2017, which was yellow with elements of amber, a follow up took place in October 2017 where the audit progressed to yellow in all areas.

A Business Continuity Plan had been in place, however, this had only been updated annually, following the audit findings, the plan was updated monthly. At the initial audit, it was recommended that more complex incident management systems were tested.

A separate disaster recovery plan had been developed and was due to be presented to SMT. 33% of Council Services (Priority 1 Services) could be returned to full service within 1 working day of an outage, and the remainder restored within 2 weeks. An additional line had been installed into the data centre and the insurance on the equipment had been confirmed as appropriate.

In response to a question, the Assistant Director: Commercial Services that emergency generators were present at both the main centre and the backup centre. Members were reassured that the backup data centre was in a secure location.

Members expressed their concern regarding the two week timescale to restore all Council services and recommended this be reduced, if possible. A discussion was held regarding the types of incident where the disaster recovery plan may be used.

AUC 34 TREASURY MANAGEMENT STRATEGY 2018 / 19 AND UPDATE
2017 / 18

The Committee received the Treasury strategy and update report. The Committee were advised that the approach the Council had been taking in recent years had been to limit investments in third parties, to reduce exposure to counterparty risk. At some point, the Council would need to lock into fixed term interest rates and the budget had been prepared to enable this to happen at any point. This decision would be taken after consultation with Arlingclose.

It was noted that there had recently been a consultation on proposed changes to the Prudential Framework of Capital Finance, which would impact on MRP. The consultation had closed on 22nd December 2017 and intended to be effective from 1 April 2018. The Local Authority had requested the implementation be delayed until 2019/20, as it was unknown what changes would occur. The report requested delegated authority to make any amendments arising from the changes.

It was noted that investments had been made into Money Market Funds, a further £1.8million had been invested earlier that day. The Money Market Funds were very liquid, provided broader diversification and slightly higher yields.

In regards to Approved Investment Counterparties, it was proposed to remove the BBB + and BBB rated counterparties.

In response to a question, the Finance Manager: Corporate & Capital advised that any investment must need certain credit criteria for the Council to invest in it and the Council would always check with Arlingclose before any investments were made.

Resolved that:

- (a) The treasury management activities for the first half year be noted; and**
- (b) The treasury management policy statement (Appendix A) be noted; and**
- (c) To RECOMMEND TO COUNCIL that the Treasury Strategy, including the Annual Investment Strategy for 2018/19 together with the associated treasury Prudential Indicators and the Minimum Revenue Provision Statement, which will apply from 2017/18 onwards, be approved**
- (d) Delegated authority be granted to the Council's Section 151 Officer, after consultation with the Chair of Audit Committee and the Cabinet Member for Finance, Commercial Services & Economic Development to make any amendments required arising from the proposed changes to the Prudential Framework of Capital Finance.**

AUC 35 INTERNAL AUDIT CHARTER 2018 / 19

The Committee was asked to approve the Internal Audit Charter, which needed to be agreed on an annual basis. The Charter remained broadly the same as previous years, there were some changes to reflect changes in personnel.

Resolved that the Internal Audit Charter 2018 / 19 be approved.

AUC 36 INTERNAL AUDIT ACTIVITY REPORT JULY – DECEMBER 2017/18

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.

One Red and two Amber Audit Reports had been issued in the time period. Four reports remained Amber from the previous reporting periods, follow ups and action plans were in place.

Members advised that they would like to receive full copies of any red or amber audit reports prior to the Audit Committee meeting. Members noted that there were fewer red or amber audit reports than last year, it was acknowledged that audit findings were reported to Assistant Directors on a quarterly basis and audit was higher up the agenda.

Resolved that the report be noted.

AUC 37 STRATEGIC RISK REGISTER

The Organisational Development & Delivery Manager provided an update on the Strategic Risk Register. A review of the approach to the Strategic Risk Register had been undertaken. The new approach ensured that risks were looked at consistently within the same framework. Service Plans had been refreshed, and priorities and key objectives had been set.

**AUC 38 UPDATE POSITION OF THE ANNUAL GOVERNANCE STATEMENT
ACTION PLAN 2016 / 17**

The committee received the updated position of the Annual Governance Statement. The report set put the progress made to the end of December 2017 against the actions agreed.

Members requested that training be offered to all members on GDPR.

The meeting ended at 7.15pm

Chairman:

Date: