

AUDIT COMMITTEE**Minutes of a meeting of the Audit Committee held on
Tuesday, 24 July 2018 at 6.00pm in Meeting Room G3-G4,
Addenbrooke House, Ironmasters Way, Telford**

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

IN ATTENDANCE: J Eatough (Assistant Director: Governance, Procurement & Commissioning), K Clarke (Assistant Director: Finance & Human Resources) T Drummond (Principal Auditor), P Harris (Finance Manager: Corporate & Capital), E Rushton (Principal Accountant), K King (ICT Service Delivery Manager) and J Clarke (Democratic & Scrutiny Services Officer)

AUC 13 APOLOGIES FOR ABSENCE

None.

AUC 14 DECLARATIONS OF INTEREST

None.

AUC 15 MINUTES

RESOLVED – that the minutes of the meeting of the Audit Committee held on 29 May 2018 be confirmed and signed by the Chairman.

**AUC 16 TREASURY MANAGEMENT - 2017/18 ANNUAL REPORT AND
2018/19 UPDATE**

The Committee received the report on the outcome of Treasury Management activities for 2017/18 and gave details of the position for 2018/19 to date. The treasury portfolio ended the year with net indebtedness of £236.8m, borrowing was £256.7m less investments of £19.9m. The base rate was increased from 0.25% to 0.50% in 2017 and remained unchanged. The borrowing strategy for 2017/18 was to borrow temporarily to take advantage of low interest rates where possible and review opportunities for new longer term borrowing as appropriate and the strategy for 2018/19 remained consistent with that of the previous year.

During the ensuing debate some Members asked if the PWLB interest rates were currently locked in if they were likely to rise, what were the current borrowing commitments, how long would the contributions to the Shropshire Council debt continue, how would the changes to business rates impact the Council and what mitigations measures were in place if officers in key financial roles leave the Council?

Officers informed Members that the Council currently achieved significant revenue benefits from short term temporary debt and there was currently a management guide

limiting exposure to short term debt to a maximum of around £100m. The Council would continue to take opportunities when they arose as Arlingclose had not yet advised to lock in to long-term rates but were actively monitoring the position. With regard to the Shropshire Council debt, this was gradually reducing but contributions were at a historic rate taken out many years ago. There was considerable uncertainty regarding the review of business rates system to be brought in by the Government in 2020/21, but currently collection was more or less on target. With regard to staffing, mitigation measures were in place and considerable attention was given to succession planning in key areas.

RESOLVED – that the content of the report and the performance against Prudential Indicators be noted.

AUC 17 REPORT TO THOSE CHARGED WITH GOVERNANCE 2017/18

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 2017/18 financial statement and the work undertaken to support KPMG.

KPMG informed members that this had been a good audit, with all advanced deadlines met on time. In respect of valuation of PPE (Property, Plant & Equipment), Pensions Liabilities and Faster Close, no errors had been identified although there were a few presentational adjustments and typographical errors. Estimates on account were considered to be "middle of the road". All related party declarations had been received prior to the deadline. It was anticipated an unqualified audit opinion on the Authority's financial statements would be issued imminently.

Two recommendations had been raised with regard to:

- Information technology (IT) – password policy enforcement
- Completeness of the Contracts Register

AUC 18 AUDITED ANNUAL STATEMENT OF ACCOUNTS 2017/18

The Committee received the report on the outcome of the audit of the Council's accounts for 2017/18 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 31 May 2018
- presented to Audit Committee on the 29 May 2018
- 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 31 May 2018. Presentational changes and typographical errors identified had been agreed and included in the final version.

RESOLVED:

- a) **The 2017/18 Statement of Accounts be approved; and**
- b) **Delegated authority be granted to the Assistant Director: Finance & HR to make any further changes required to the Statement of Accounts prior to publication.**

AUC 19 PUBLICATION OF INFORMATION ON COUNCILLORS WHO TRADED WITH THE COUNCIL DURING 2017/18

The Committee received the report on information that was due to be published on Councillors who traded with the Council during 2017/18. 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 2017/18 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.

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

AUC 20 AUDIT COMMITTEE ANNUAL REPORT 2017/18

The Committee received the report of the 2017/18 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 2017 – April 2018). 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. A total of four meetings had been scheduled for municipal year 2018/19.

The Committee noted the conclusions on the work of the Committee during 2017/18, 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. The Committee recognised that the Council was continuing to experience some significant challenges and that it must continue to seek and provide appropriate assurance during 2018/19. Most notable were organisational changes, continued significant reductions in resources and the more commercial approach being adopted by the Council.

RESOLVED: that the contents of the annual report 2017/18 be noted

AUC 21 2018/19 - INTERNAL AUDIT UPDATE REPORT

The Internal Audit report for the period of 30 April to 30 June 2018 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.

Three Yellow, two Amber and two Green Audit Reports had been issued in the time period. One report remained Amber from the previous report and a follow up was in progress. A Red/Yellow report from the previous report also remained in place and this had been placed on the 2018/19 work programme. All other areas reported on in this update report but not highlighted to members are either improving or the follow ups are in progress or planned. Spot checks had also been undertaken by the team as prescribed by the PSIAS and no issues had been raised.

With regard to the Benefits Subsidy, following a procurement exercise, Grant Thornton have been awarded the contract to audit the benefit subsidy and this contract will start from April 2019. The Benefits Team have notified the Department for Work and Pensions in line with the deadline.

During the ensuing debate, some Members raised concerns with regard to the evidence of non-compliance and asked what was being done to ensure this was improved. Officers informed Members that the reports highlighted areas of improvement to the services and follow up visits were undertaken in order to monitor progress and ensure good practice and improvement. The workplace bulletin was used as a reminder to staff follow procedures. KPMG commented that the audit process was important as, however good the control environments were, over time they decay and need regular audit to guard against this.

RESOLVED: that in respect of the audit work undertaken between 30 April 2018 and 30 June 2018 together with the information contained within the report be noted.

AUC 22 IMPLEMENTATION OF RED REPORT ACTIONS

The ICT Service Delivery Manager gave Members an update on the implementation a mixed amber/ red audit report in her service area. She reported 14 risks were identified and we mainly dealt with by changing the way that the service was provided

A further piece of work would be undertaken by Audit during the coming 2018/19 work programme but this had not yet been started.

The meeting ended at 7.23pm

Chairman:

Date: