



### **Committee and Date**

Audit Committee  
4 March 2021

## **MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 10 DECEMBER 2020 1.30 - 4.58 PM**

**Responsible Officer:** Michelle Dulson

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### **Present**

Councillor Peter Adams (Chairman)

Councillors Chris Mellings, Brian Williams (Vice Chairman) and Michael Wood

### **128 Apologies for Absence / Notification of Substitutes**

128.1 An apology was received from Councillor Ioan Jones.

### **129 Disclosable Pecuniary Interests**

129.1 The Chairman reminded Members that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the meeting prior to the commencement of the debate.

### **130 Minutes of the previous meeting held on the 29 October 2020**

#### **130.1 RESOLVED:**

That the minutes of the meeting of the Audit Committee held on 29 October 2020 be approved and signed by the Chairman as a correct record.

### **131 Public Questions**

131.1 No public questions had been received.

### **132 Members Questions**

132.1 No Member questions had been received.

### **133 Second line assurance: Treasury Strategy Mid-Year Report 2020/21**

133.1 The Committee received the report of the Interim Executive Director of Resources (Section 151 Officer) – copy attached to the signed Minutes – which provided an economic update for the first six months of 2020/21; including a review of the Treasury Strategy; Annual Investment Strategy, the Council's investment portfolio;

the Council's borrowing strategy; any debt rescheduling undertaken and compliance with Treasury and Prudential limits all for 2020/21

- 133.2 The Interim Executive Director of Resources (Section 151 Officer) informed the Committee that the Treasury team achieved an outturn of 0.62% on the Council's cash balances and had outperformed the benchmark by 0.68%, amounting to £603,800 additional income. He also drew attention to the changes to the PWLB borrowing rates which made them less affordable.
- 133.3 In response to a query, the Interim Executive Director of Resources (Section 151 Officer) confirmed that although the Council did not currently invest in any of the organisations on the FITCH credit ratings list it could do so in the future if it so wished.
- 133.4 A further query was raised in relation to the Council's investments with Thurrock Borough Council following a report published in the CIPFA magazine reporting that Thurrock Borough Council had made changes to its borrowing strategy making it more difficult to secure short term loans due to investment issues. In response, the Interim Executive Director of Resources (Section 151 Officer) explained that there were a number of Local Authorities on the list who tended to have reasonable rates of investment and, as they had government backing, were unable to go bankrupt. However, the individual circumstances of an organisation would be considered before the Council decided whether it wished to invest. The Council's investments in Thurrock Borough Council were made in July 2020 one of which had matured and the other was due to mature in May 2021. A watchful eye was being kept on this investment but no concerns had so far been raised.
- 133.5 **RESOLVED:**
- A. That the position as set out in the report be noted.
  - B. To note that any changes required to the Treasury Strategy including the Annual Investment Strategy or prudential and treasury indicators as a result of decisions made by the Capital Investment Board will be reported to Council for approval.

**134 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative**

- 134.1 The Committee received the report of the Head of Audit – copy attached to the signed Minutes – which outlined the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council managed these risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption. It also provided an update on the action plan to ensure continuous improvement and provided an update to Members in response to national and local issues.
- 134.2 The Head of Audit reported that the Strategy had been reviewed and updated to reflect both best practice and to align with the updated Fighting Fraud and Corruption Locally Strategy 2020. She drew attention to the inclusion of a new fourth pillar to Govern and an additional theme to Protect, set out at paragraph 7.10 of the report.

134.3 The Head of Audit explained that the result of the CIPFA Fraud and Corruption Tracker survey would be published in early 2021 and would be shared with the Committee. She also informed the Committee that the results of the latest National Fraud Initiative data matching exercise were awaited and would be reported to a future meeting of the Audit Committee.

134.4 In response to a query, the Head of Audit expanded on the difference between outcomes and activity which had been referred to in paragraph 7.4 of the report.

**134.5 RESOLVED:**

That the Counter Fraud, Bribery and Anti-Corruption Strategy be endorsed and that the measures undertaken and detailed in the report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption be noted.

**135 Governance Assurance: Annual review of Audit Committee Terms of Reference**

135.1 The Committee received the report of the Interim Executive Director of Resources (S151 Officer) – copy attached to the signed Minutes – which set out the Audit Committee Terms of Reference, attached at Appendix A. The Interim Executive Director of Resources (S151 Officer) drew attention to the amendments made at paragraphs 38 and 45 which had been updated to reflect constitutional changes allowing the Audit Committee to approve the Final Accounts Pack including the Statement of Accounts.

135.2 Attention was drawn to paragraphs 2 (Membership) and 46 (Powers of the Audit Committee) which appeared to say the same thing and, in order to reduce duplication, it was agreed that the first reference be deleted i.e. paragraph 2.

135.3 In response to a query the Interim Executive Director of Resources (S151 Officer) confirmed that the Constitution allowed for the Committee to refer items to Cabinet and/or Council throughout the year where the Committee felt there was sufficient cause for concern and he agreed to include this in the Terms of Reference.

**135.4 RESOLVED:**

That the Audit Committee Terms of Reference be endorsed, subject to the above amendments.

**136 Governance Assurance: Annual Audit Committee Self-Assessment**

136.1 The Committee received the report of the Interim Executive Director of Resources (S151 Officer) – copy attached to the signed Minutes – which requested Members to review and comment on the self-assessment of good practice questionnaire which allowed them to assess the effectiveness of the Audit Committee and to identify whether there were any further improvements that could be made which would improve the Committee's overall effectiveness.

- 136.2 A brief discussion ensued in relation to questions 19 (Has the Committee obtained feedback on its performance from those interacting with the Committee or relying on its work?) and 23 (Has the Committee evaluated whether and how it is adding value to the organisation?) and whether the Committee were fully or partially compliant. Members considered that approving the Statement of Accounts, which was a major function of Full Council and which had been delegated to the Audit Committee, did indeed add value to the organisation. It was suggested that the Committee were fully compliant in both those areas.
- 136.3 Members felt that its main source of feedback would be around the Annual Report that was considered by Full Council and which was quite a comprehensive report on the work of the Committee and if Council were dissatisfied that would be the place that those concerns would be raised. Members would however be interested in learning from others in terms of good practice if there was anything further that the Committee could be doing to promote that feedback and the same for demonstrating added value. Partial compliance was therefore felt to be a good place to be and did not mean that the Committee were not fulfilling those items but it just demonstrated that the Committee needed to be constantly aware of those two areas in particular to ensure that they were fulfilling their role.
- 136.4 In response, the Interim Executive Director of Resources (S151 Officer) added that the question Members needed to ask themselves as a Committee was whether if an external reviewer agreed that the Committee were compliant with those two items but requested that the Committee provide them with the evidence, eg where is the evidence that you obtained feedback and where is the evidence that the Committee had evaluated that added value. He commented that these were really difficult things to demonstrate and that compliance was considered as partial not because anything was missing other than the evidence behind it.
- 136.5 **RESOLVED:**
- A. That the self-assessment of good practice attached at Appendix A be endorsed.
  - B. That the analysis of training requirements attached at Appendix B be endorsed.
  - C. That the action plan be reviewed and revised to improve areas of weakness.

### 137 **Third line assurance: Internal Audit Charter**

- 137.1 The Committee received the report of the Head of Audit – copy attached to the signed Minutes. The Head of Audit confirmed that no changes were being proposed.
- 137.2 In response to a query about whether the Redmond Review would affect the Charter, it was confirmed that any implications following the Redmond Review would be unknown until the recommendations from the review were finalised.
- 137.3 **RESOLVED:**
- That the Internal Audit Charter be endorsed.

### **138 Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2019/20**

- 138.1 The Committee received the report of the Head of Audit – copy attached to the signed Minutes – which provided Members with an update of the work undertaken by Internal Audit in the three months since the previous Audit Committee.
- 138.2 The Head of Audit informed the meeting that 62% of the revised plan had been completed and that the team were on target to achieve 90% delivery by year end. She confirmed that there had been a slight adjustment to the planned activity due to Covid-19. Four good, six reasonable, five limited and two unsatisfactory assurance opinions had been issued and the 17 final reports contained 149 recommendations, three of which were fundamental.
- 138.3 The Head of Audit drew attention to the audits that had been completed since the beginning of the year along with the assurance levels awarded to each completed audit area (paragraphs 7.4 and 7.5 respectively). Of the 10 reports that had been issued 59% of the opinions had been good or reasonable, which was a decrease from the previous year (64%) and which was offset by a corresponding increase in limited and unsatisfactory assurances (41% compared to 36% the previous year).
- 138.4 The Head of Audit highlighted the three fundamental recommendations two of which were set out at paragraph 7.12 of the report whilst the remaining one was covered in the exempt part of the meeting. Turning to the Direction of Travel, the Head of Audit informed the Committee that there had been a significant rise in lower level assurances (50% compared to 36% the previous year) which was an early indicator of a weaker control environment across the Council.
- 138.5 In response to a query about the fundamental recommendation made in relation to Telecommunications, Contracts and Procurement, the Head of Audit amplified on how the risks due to the proposed closure of Shirehall would be managed and mitigated. Members requested that an update be provided to a future meeting of the Committee.
- 138.6 In response to a query in relation to the increasing levels of limited and unsatisfactory assurance levels, the Head of Audit explained that the weaker control environment needed to be managed appropriately and consideration made as to what measures could be put in place and also what Members could do as a Committee to support the organisation and have an impact on its direction of travel. She also commented that deadlines/time frames may need to be extended as resources were pulled into responding to the Covid-19 pandemic. She assured the Committee that Directors and Managers were aware of the situation.
- 138.7 **RESOLVED:**
- a) That performance to date against the 2020/21 Audit Plan as set out in the report be noted;
  - b) That the changes made to the 2019/20 Annual Governance Statement be noted.

- c) That the adjustments required to the 2020/21 plan to take account of changing priorities, as set out in Appendix B of the report, be endorsed.

### **139 Third line assurance: External Audit, Audit progress report and sector update**

- 139.1 The Committee received the report of the External Auditor – copy attached to the signed Minutes – which provided the Audit Committee with a report on progress together with a summary of emerging national issues and developments which may be of relevance to the Council.
- 139.2 The Engagement Lead confirmed that the 2019/20 audit had been completed and that an unqualified opinion had been issued which included an emphasis of matter paragraph in relation to material valuation uncertainties arising due to Covid-19.
- 139.3 Looking at Audit fees, the Engagement Lead reported that the increase in fees due to the impact of Covid-19 would be approximately 15-20% but that this would be discussed with the Interim Executive Director of Resources (Section 151 Officer).
- 139.4 The Engagement Lead drew Members attention to the final Audit Findings Report included on page 6 of the report and he confirmed that the Whole of Government accounts work had now been completed and the Certificate of Audit issued.

#### **139.5 RESOLVED:**

That the contents of the report be noted.

### **140 Third line assurance: External Audit, Certification Summary Report**

- 140.1 It was confirmed that the deadline for the Certification Summary Report had been extended to the end of January 2021 so this item had been deferred to a future meeting of the Audit Committee.

### **141 Date and Time of Next Meeting**

- 141.1 Members noted that the next meeting of the Audit Committee would be held on the 4 March 2021 at 1:30pm.

*NB. An additional meeting was subsequently arranged to take place on 11 February 2021.*

### **142 Exclusion of Press and Public**

#### **142.1 RESOLVED:**

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

**143 First line assurance: Theatre Severn Progress Update (Exempted by Categories 1, 2 and 3)**

143.1 Members received the exempt report of the Assistant Director of Homes and Communities - copy attached to the exempt signed minutes- which gave an update on progress on audit recommendations for Theatre Severn.

**143.2 RESOLVED:**

That the contents of the report be noted.

**144 First line assurance: Leisure Services Progress Update (Exempted by Categories 1, 2 and 3)**

144.1 Members received the exempt report of the Assistant Director of Homes and Communities - copy attached to the exempt signed minutes- which gave an update on progress on audit recommendations for Leisure Services.

**114.2 RESOLVED:**

That the contents of the report be noted.

**145 Third line assurance: Highways Term Maintenance and Highways Design Contracts (Exempted by Category 5)**

145.1 The Committee received the exempt report of the Head of Audit – copy attached to the exempt signed Minutes – which updated Members with the key findings following reviews of the Highways Term Maintenance Contract and Highways Design Contract and actions that management were taking.

**145.2 RESOLVED:**

That the contents of the report be noted.

**146 First line assurance: Highways Term Maintenance Contract (Exempted by Categories 3,4, and 5)**

146.1 The Committee received the exempt report of the Director of Place and Enterprise – copy attached to the exempt signed Minutes – which updated Members with progress following a further audit of the Highways Term Maintenance Contract.

**146.2 RESOLVED:**

That the contents of the report be noted.

**147 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 1, 2, 3 and 7)**

147.1 The Committee received the exempt report of the Principal Auditor - copy attached to the exempt signed Minutes - which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

147.2 **RESOLVED**

That the contents of the report be noted.

Signed ..... (Chairman)

Date: .....