

# Minutes



## Audit Committee

---

Date: 16 July 2015

Time: 5.00 pm

Present: Mr J Baker (Chair), E Townsend, R White, R Mogford, D Davies and M Spencer

In Attendance: A Wathan (Chief Internal Auditor) M Rushworth (Head of Finance), R Jones and O James (Assistant Heads of Finance (Accountancy), M Dickie (Business Service Development Manager) and J Eales (Scrutiny Support and Research Officer).

Apologies: Councillors J Guy

---

### 1 **Declarations of Interest**

None

### 2 **Minutes from 28 May 2015 meeting**

The Minutes of the meetings held on 28 May 2015 were submitted.

Re Minute 3, Whistle Blowing Policy, the Chair confirmed that the presentation had been deferred to the September 2015 meeting.

Re Minute 3, poor attendance at meetings, the Scrutiny Support Officer confirmed that this issue had been brought to the attention of the Council Business Manager.

Re Minute 8, Internal Audit Annual Plan 2015/16, the title was corrected from 2015/15 to 2015/16.

#### **Agreed**

That the Minutes of the meeting held on 28 May 2015 be confirmed.

### 3 **Overspend on Market Square Bus Scheme**

The Chairman updated Members on progress with negotiations regarding the overspend on the Market Square Bus Scheme and asked if, as discussed at the meeting in November 2014, Members would like an update. Members confirmed that they would like a report on progress to the September meeting.

#### **Agreed**

That a report on the Market Square Bus Scheme overspend be submitted to the next meeting, providing the final details were available and confirmed.

#### 4 **Corporate Risk Register Update**

Members considered an updated version of the Corporate Risk Register which included eight risks, 1 high and 7 medium. Since the last update, assessments of 6 risks remained unchanged and 2 risks had reduced. Not all risks were due to be updated quarterly, some were more long term risks and for those six monthly updates were sufficient. The risks updated in this report related to Ageing Population, Total Reward, Welsh Language, Reducing budgets, the delivery of statutory services and Friars Walk.

M Dickie, Business Service Development Manager, explained that in September all risk would be recalibrated within the Council. This process would identify new risks and strengthen the existing ranking system.

In previous meetings concerns had been raised about the information contained within a report relating to the risk of not doing something rather than the risk of doing it. The impact of an action had to be taken into account when assessing risk. Members requested that this issue, including examples of information that should be included in a report, be considered at the September meeting.

Agreed

1. That the comments within the Corporate Risk Register be noted.
2. That Risk Assessments be added to the work programme for consideration at the September meeting.

#### 5 **Treasury Management**

##### **5 Treasury Management**

Members considered a report on treasury activities undertaken during the financial year 2014/15. During the year to 31 March 2015, the Council continued to invest surplus funds with its own bankers (Santander) and institutions with long-term credit ratings in at least the "A-" Category.

As at 31 March 2015, the Council had short-term investments of £2.560m, this was to invest surplus funds that had come into the Council on over a minimal timescale. Temporary borrowing had continued to be required to fund normal day to day activities. All borrowings undertaken were as expected and within the Council's agreed limits.

The report provided the following information:

- details of capital financing, borrowing, debt rescheduling and investment transactions
- reports on the risk implications of treasury decisions and transactions
- details of the outturn position on treasury management transactions in 2014/2015
- confirmed compliance with treasury limits and Prudential code.

The Head of Finance confirmed that in recent years the Council's strategy had been to fund capital expenditure from reducing investments rather than undertaking new long term borrowing.

Members discussed the advantages and disadvantages of this type of borrowing in relation to a bond which was due to mature shortly, which would be refinanced hopefully at a lower interest rate. This would not reduce our borrowing but should be a revenue saving. The Head of Finance suggested that a 15 minute training session would be useful for Audit Committee members before consideration of the Treasury Management report next time.

### **Agreed**

1. That the Annual Report on Treasury Management for the Financial Year 2014/15 be noted.
2. That it be noted that the 2014/15 Prudential Indicators for Treasury Management were in line with those initially set.
3. That a 15 minute training session would be given to Audit Committee members before consideration of the Treasury Management report next time.

## **6 Draft Financial Accounts 2014/15**

Members considered a report on the draft financial statements for the period 1 April 2014 to 31 March 2015 prepared in accordance with the Code of Practice on local Authority Accounting in the United Kingdom.

The draft accounts were finalised and published by the statutory deadline of June 30<sup>th</sup>. The Accounts would be on display for the public from 27<sup>th</sup> July to 21<sup>st</sup> August and the accounts and working papers were currently with Wales Audit Office for review prior to signing the final accounts in September.

The Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement were the four key statements detailing the financial performance.

The draft revenue outturn reported to Cabinet was an underspend of £5.1m Agreement was to move £588 thousand to earmarked reserves for various purposes and the remainder to general reserves. Following this a number of adjustments were made to the draft return, giving final outturn following transfers to earmarked reserves of £3.9m.

Members requested than an explanation regarding usable reserves be given in the foreword. They queried what figure was a reasonable amount to hold and were advised that the lowest had been £5million.

Members discussed Insurance and MMI and the reasons why there was a separate MMI Insurance reserve. Each year the fund was valued and a percentage set for each authority based on known and anticipated claims. Members suggested that the narrative be changed to better explain the background.

Members discussed Joint Ventures with other local authorities and the way our percentage of the assets held should be included within the accounts. WAO always flagged this as an issue. WAO and WG were now happier with smaller lower level returns which did not provide the level of information required to put into the accounts.

In line with previous years the accounts do not produce Group Accounts as this was not deemed to be material. Last year assurances were given that this information would be

consolidated but discussions were underway with WAO to see if it was necessary. Advice was that the accounts did not comply fully with the code but it was not material.

Members agreed a date for the next meeting, 24<sup>th</sup> September 2015 and this replaced the two other dates arranged during the month. A number of corrections were identified in the accounts and officers requested that if there were any other errors, Members were asked to email/report them to officers.

Members requested that the foreword be amended to put the current position clearly into context.

Concerns were raised regarding the net underspend generated from vacancies and the damage this could have on the efficiency of the Council. Members were advised that some of the vacancies were there because it was difficult to fill certain posts. Each Head of Service reported regularly to the Cabinet Member where decisions such as which posts to hold vacant were discussed.

### **Agreed**

That subject to the comments made, the information within the Draft Financial Accounts be noted.

## **7 Annual Governance Statement**

Members considered the Council's Annual Governance Statement as contained in the Report and Accounts 2014/15. The Statement was based on how well the Council met its own Code of Corporate Governance.

Members raised a number of issues:

- A detailed Follow-up of the Corporate Assessment had been received which make the AGS look like a "gloss over". The Chief Internal Auditor explained that he did not have the capacity to undertake the same level of investigation as WAO and he relied on information fed back to him. Members suggested that a paragraph be added that work was on going to address these concerns and to improve transparency. WAO would share the document with colleagues in performance and any comments would be fed back. The Chief Internal Auditor acknowledged that the Corporate Management Team were working on an action plan to address the concerns raised in the WAO Corporate Assessment follow up and that this was reflected within the AGS.
- Members congratulated the Chief Internal Auditor on the quality of the document and the sign off procedure by the Leader and Chief Executive

### **Agreed**

That having considered and commented on the draft Annual Governance Statement, Members recommended its inclusion within the Annual Statement of Accounts.

## **8 Internal Audit Unsatisfactory Audit Opinions**

Members considered a report on the up to date position of audit reviews previously given an unsatisfactory/unsound audit opinion.

Since bringing these reports to Audit Committee there had been 13 reviews which had been given two consecutive unsatisfactory or unsound audit opinions. Improvements had been made in all 13 areas and these reviews would now be picked up as part of the audit planning cyclical review.

Follow up audit work for the 5 unsatisfactory reviews identified in 2014/15 was planned for 2015/16 and recorded in the plan. The reviews were:

- Amenity Funds
- Flexible Working and Travel and Subsistence Procedures
- CCTV/Security (Telford Depot)
- Discretionary Charging
- SEN Assessments

The Chief Internal Auditor reported the significant issues in each area and explained that his team would continue to cover the specific sections and would endeavour to revisit these areas within a twelve month timescale.

Agreed

That the report be noted and endorsed by Audit Committee.

## 9 **Work Programme**

Members requested a report on the Market Square Bus Scheme and Risk (including examples of information that should be in a report) to the September meeting and a 15 min training session at the same time the Treasury Management report was next considered.

Agreed

That subject to the above the report be noted.

## 10 **Referrals to Audit Committee**

There were no referrals.

## 11 **Date of Next Meeting - 24 September 2015**