

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held on Wednesday 20 November 2024 at 6.00 pm in Council Chamber, Third Floor, Southwater One, Telford, TF3 4JG

Present: Councillors H Morgan (Chair), S J Reynolds (Vice-Chair), P Davis, N A M England, T J Nelson and W L Tomlinson

In Attendance: M Brockway (Director: Finance, People & IDT), J Clarke (Senior Democracy Officer (Democracy)), T Drummond (Principal Auditor), R Montgomery (Audit, Governance & Procurement Lead Manager), E Rushton (Group Accountant) and R Phillips (Registrars, Public Protection, Legal & Democracy Service Delivery Manager)

Apologies: Councillors L Parker

AU20 Declarations of Interest

None.

AU21 Minutes of the Previous Meeting

RESOLVED – that the minutes of the meeting held on 17 July 2024 be confirmed and signed by the Chair.

AU22 Report to the Audit Committee

KPMG, External Auditors, presented their report to the Audit Committee.

Since presenting the draft audit strategy for the 2023-24 audit to the Audit Committee in May 2024, KPMG had continued the risk assessment in order to further define and focus significant risks and this had resulted in changes to the planned approach.

In relation to expenditure recognition, following completion of the risk assessment this was no longer deemed as having significant risk of fraud or error. Given the size and volume of the expenditure streams, it had now been assigned as an 'elevated' inherent risk to the balance and would entail taking larger samples of expenditure transactions and cash payments.

The draft audit strategy proposed a significant risk for the valuation of all council land and buildings. After completion of further risk assessment procedures and now with a detailed understanding of the balances and processes used to value Council land and buildings, it was concluded that the significant risk was with the property investment portfolio only and not the specialised buildings. The accounting treatment of the property investment portfolio would now be classified as Other Land and Buildings. Testing was

still to be completed on the remaining 'Other Land and Buildings' balance, but it was not deemed to be a significant risk area.

The Value for money risk assessment had been completed using the following criteria and arrangements:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

It was the External Auditor's responsibility to assess whether there were any significant weaknesses in the Council's arrangements to secure value for money and to ensure the appropriate arrangements were put in place. An understanding of the key processes would ensure sound financial management, risk management and partnership working arrangements.

No significant risks were identified within the three criteria and this would continue to be assessed.

In relation to the 2023/2024 accounting entries within the Statement of Accounts, there were a few areas that required completion in relation to significant risks and investment properties with the valuers looking at six specific assets in order to ensure there were no material differences between the two methods of assessment. Management override and control in relation to journals was being progressed. The Pension audit had been delayed, but this had been the picture nationally. There were just a few areas that needed completion and work on the valuations was currently taking place with the actuaries.

Overall, the audit had progressed well with good communication between the External Auditors and the Finance Team who had a positive relationship. They had examined the audit comparing it with the previous year's external auditors and worked constructively whilst being challenging and robust. The ISO 260 would set out the work undertaken and it was expected that there would be very few corrections to the Statement of Accounts.

The report showed the good progress that had been made and it was key to record this.

During the debate some Members felt that debrief sessions were key to making improvements to the audit ensuring that they work differently in order to improve. It was encouraging that the first year audit as been as smooth as it could be. Other Members asked what were the six assets that required the valuation processes and why were they chosen and if there were likely to be any changes to the audit in respect of local government pension schemes.

Interim Director: Finance, People & IDT informed Members that following the audit a debrief session was held with the wider team in order to improve processes going forward and to feedback to the Audit Committee and how the audit compared to the previous audit.

The External Auditor considered that a debrief following the audit was key to improving the audit. In relation to assets, he confirmed that it was the six largest assets within the portfolio that were being assessed as these had been moved in the previous audit to 'other land and buildings' and it needed to be assessed whether this had a material impact in their valuation. In relation to pension valuations, major changes would be coming forward which would fundamentally change how pensions would be audited.

The report was noted.

AU23 Internal Audit Activity Report

The Principal Auditor presented the Internal Audit Activity Report.

The report updated Members on the progress made against the 2024/25 Internal Audit Plan and the recent work of Internal Audit. Also set out in the report was a proposal for a future review of the effectiveness of the Audit Committee.

The key focus during the reporting period was the completion of audits set out on the annual audit plan and fulfilling commercial contracts which would feed into and inform the Internal Audit opinion in the Annual Report.

From a total of 46 audits, eight were in progress, seven had been completed and six had been deferred due to a staff vacancy within the Audit Team. Recruitment was currently underway to fill the vacant post.

Work continued on commercial contracts which included a total of nine Academy Trusts and two Town Councils and Internal Audit continued to look for opportunities to expand their commercial offering.

Internal Audit maintained a Quality Assurance and Improvement Programme which complied with the Public Sector Internal Audit Standards (PSIAS). The Audit, Governance & Procurement Lead Manager undertook an independent monthly check of completed audit files randomly selected to ensure they complied with the following:

- Requirements of the PSIAS
- Rules of the Code of Ethics
- Agreed Internal Audit process and procedures
- Approved Internal Audit Charter

Following these checks, only minor internal Audit procedural issues had been identified and these had been fed back to Internal Auditors in order to aid continuous improvement within the service.

In relation to the effectiveness of the Audit Committee, there were no specific legal requirements for this, but there were audit regulations to review the effectiveness of the systems of control and audit function. The last review

took place in 2021. Members were asked to consider undertaking the next review of the effectiveness of the audit committee in 2025/26 due to the recent elections and the Members on the Committee being relatively new.

During the debate, some members were encouraged to see that follow up audits had taken place and that the gradings had moved from red to green.

The Principal Auditor confirm that a lot of progress had been made particularly in areas that had required time to embed new processes and procedures. She informed Members that interviews were taking place shortly in respect of recruitment.

Upon being put to the vote it was, unanimously:

RESOLVED – that:

- a) the information contained in this report in respect to the Internal Audit planned work undertaken between 1 July 2024 and 31 October 2024 and unplanned work to date be noted;**
- b) the review of the effectiveness of the Audit Committee be agreed; and the report be noted.**

AU24 Corporate Risk Register

The Audit, Governance & Procurement Lead Manager presented the Strategic Risk Register.

As set out in the Terms of Reference, the Audit Committee were responsible for overseeing the audit, governance and financial processes which included risk management.

The Corporate Risk Register had been updated and was a reminder of the details of the risks in delivering the Council's priorities. Other risks would be documented at a lower level within specific service area teams.

The main changes were two additional risks that had been added since June 2024. Benchmarking exercises had been undertaken against other Local Authorities in order to ensure a robust approach as there were always lessons that could be learnt. A number of these local authority registers included challenges in relation to the delivery of major partnership projects and this was now reflected in the Council's own risks. These were not of major concern but they had been introduced in order to give a greater level of prudence.

There were some clear links between risks against the Council's priorities and further work to update the register this would be presented to the Audit Committee in January 2025.

During the debate, some Members felt that if there was no improvement in the Revenue Support Grant for Adults and Children's social care in the next 3-4 years that the Council could be in a similar position to many other councils nationally. It was important to look at the risks and take them on board and he thanked the Members for their due diligence.

The Audit, Governance & Procurement Lead Manager expressed that the Risk Register was a living document and that it set out common risks that local authorities across the country were facing.

The report was noted.

The meeting ended at 6.28 pm

Chairman:

Date: Wednesday 29 January 2025