

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 21 SEPTEMBER 2017**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
∅	Cllr I Bramble	*	Cllr J A Pearce (Chairman)
*	Cllr J Brazil	*	Cllr J T Pennington (Vice-Chairman)
*	Cllr T R Holway		

Members also in attendance:
Cllrs M J Hicks, R J Tucker and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Executive Director (Service Delivery and Commercial Development); Section 151 Officer; Group Manager (Customer First and Support Services); Finance Community Of Practice Lead; Internal Audit Manager; KPMG Representatives; and Senior Specialist – Democratic Services

A.16/17 MINUTES

The minutes of the meeting held on 20 July 2017 were confirmed as a correct record and signed by the Chairman.

A.17/17 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.18/17 KPMG EXTERNAL AUDIT REPORT 2016/17

The Committee considered a report that summarised the key findings of KPMG in relation to its 2016/17 External Audit at the Council.

The report had concluded that an 'unqualified opinion' would be issued on both the Council's financial statements and Value for Money.

When questioned, the representatives confirmed that the initially identified deficiencies in Housing Benefit controls had since been sufficiently mitigated in time for the Year End.

The Committee proceeded to thank the representatives for producing such a comprehensive and positive report.

A.19/17 KPMG PRESENTATION – ROLE OF EXTERNAL AUDITOR

KPMG representatives undertook a presentation on the role of the External Auditor. In so doing, the presentation highlighted the following methods whereby KPMG added value to the Council:-

- Supporting the authority as a 'critical friend' by:
 - o Ongoing liaison with officers;
 - o Regular attendance at the Audit Committee;
 - o Identifying and sharing best practice (locally and through national reports);
 - o Undertaking advisory work on request;
- Advising in areas of expertise that included:
 - o Cost improvement plan reviews;
 - o Organisational redesign and restructuring;
 - o Strategic partnering and alternative delivery models;
 - o VAT and taxation;
 - o Forensic services;
 - o Valuations; and
 - o Business risk services.

With no questions or issues being raised on the contents of the presentation, the Chairman thanked the representatives for their informative and interesting presentation.

A.20/17 ANNUAL STATEMENT OF ACCOUNTS 2016/17

A report was considered that presented a summary of net revenue and capital expenditure for Members' attention and that sought approval of the audited Statement of Accounts for 2016/17. The report also required the Committee to consider the content of the Letter of Representation.

In discussion, reference was made to:-

- (a) very minimal changes being required since the draft versions had been initially considered by the Committee. Officers confirmed that these minimal changes included: the inclusion in the Statement of Accounts to a link to the Devon Building Control Partnership and changes to the numbering of the Annual Governance Statement;
- (b) the work of finance officers. In recommending approval of each of these documents, all Members in attendance wished to pay tribute to the hard work, effort and commitment of the Council's Finance Community Of Practice;

It was then:

RESOLVED

That approval be given to:-

1. the wording of the Letter of Representation (as outlined at Appendix A of the presented agenda report);
2. the audited Statement of Accounts for the financial year ended 31 March 2017 (as outlined at Appendix B of the presented agenda report); and
3. the Annual Governance Statement post audit (as outlined at Appendix C of the presented agenda report).

A.21/17

CONSULTATION ON AUDITOR APPOINTMENT FROM 2018/19

The Committee considered a formal communication that had been received by the Council's Head of Paid Service and Section 151 Officer to consult on the auditor appointment from 2018/19. The communication sought to consult with the Council on the appointment of Grant Thornton (UK) LLP to audit the accounts of the Council for five years from 2018/19.

In discussion, the Committee noted that it was hoped that the Council would see a small reduction in its Audit fees through these revised arrangements.

It was then:

RESOLVED

That the Committee is satisfied with the proposed appointment of Grant Thornton (UK) LLP to audit the accounts of the Council for five years from 2018/19.

A.22/17

STRATEGIC RISK ASSESSMENT – REGULAR UPDATE

In accordance with the adopted Joint Risk Management Policy, a report was considered that presented the required six-monthly update to Members. The report included the current corporate strategic risk assessment and a summary of the management and mitigating actions to address the identified risks.

In discussion, reference was made to:-

- (a) the delivery of the Local Plan. The Committee was of the view that the score attributed to this Corporate Risk should be increased and it was further emphasised that this matter must continue to be closely monitored;

- (b) the procurement risk. The Committee requested that officers review the ratings given to this Corporate Risk and was of the view that the total should be scored higher than currently illustrated;
- (c) inadequate asset maintenance. Specifically regarding the sea wall at Hope Cove, Members were given assurances that its condition was being kept under close (and regular) review.

It was then:

RESOLVED

That the Committee has reviewed the strategic risks and has made comments (as detailed in the minutes above).

A.23/17 INTERNAL AUDIT CHARTER AND STRATEGY 2017/18

The Committee considered a report that provided it with the opportunity to review and comment upon the Internal Audit Charter and Strategy for 2017/18.

In noting that the review was proposing only very minor tweaks to the Charter and Strategy, it was then:

RESOLVED

That the Internal Audit Charter and Strategy 2017/18 be approved.

A.24/17 UPDATE ON PROGRESS ON THE 2017/18 INTERNAL AUDIT PLAN (including an update on the Strategic Debt Review)

A report was considered that informed the Committee of the principal activities and findings of the Council's Internal Audit team for 2017/18 to 24 August 2017.

In discussion, the following points were raised:-

- (a) The Committee sought greater clarity on the 'fundamental weaknesses' audit opinion that had been issued in relation to Section 106 Agreements. In reply, officers informed that, since that opinion had been issued, mitigating measures had been put into place and the Committee particularly welcomed the recruitment of a designated S106 Officer. Once the Officer had been appointed, it was agreed that all Members and town and parish council clerks would be informed, with contact details also being provided. The importance of the successful recruit working closely with Members and clerks was also recognised;

- (b) With regard to the ICT Audit findings, it was noted that, in some instances, auditors could not identify a system owner within the business. When questioned, officers confirmed that actions were being taken to address this weakness;
- (c) Specifically on the Strategic Debt Review update that had been presented to the Committee, Members wholeheartedly supported the proposal to create a centralised Debt Recovery Unit by 1 October 2017. However, when considering the Age of Debt profile, some Members expressed their concerns that debts in excess of £250,000 had still not been recovered since 2015/16.

It was then:

RESOLVED

That the progress made against the 2017/18 Internal Audit Plan and any key issues arising be approved.

(Meeting commenced at 1.00 pm and finished at 2.20 pm)

Chairman