

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 24 MARCH 2016**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
*	Cllr I Bramble	*	Cllr J T Pennington (Chairman)
∅	Cllr J Brazil	*	Cllr K R H Wingate (Vice-Chairman)
*	Cllr R J Foss		

Members also in attendance:
Cllrs M J Hicks, N A Hopwood and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Head of Paid Service, Executive Director (Service Delivery and Commercial Development), Monitoring Officer, Group Manager – Business Development, Section 151 Officer, Deputy Section 151 Officer, Representatives from the Devon Audit Partnership and KPMG and Senior Specialist – Democratic Services

A.31/15 MINUTES

The minutes of the meeting held on 7 January 2016 were confirmed as a correct record and signed by the Chairman.

A.32/15 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.33/15 LOCAL GOVERNMENT BUDGET SURVEY – KPMG REPORT

A report was presented that had been produced by KPMG with the purpose of enabling the Council to consider the budget information it required to help address the financial challenges it faced.

In discussion, reference was made to:-

- (a) the Council Budget book. Members were informed that the Budget book was currently being re-designed to reflect the new Operating Model arising from the Transformation Programme. To support the re-design, it was **PROPOSED** and **SECONDED**:-

'That the Leader of Council be asked to nominate a small informal working group of Members with the remit of re-designing the Council's Budget Book to reflect the new organisational structure and ways of working.'

When put to the vote, the recommendation was declared **CARRIED**.

Members were also of the view that the working group should give consideration to the merits of establishing a brief summary document that outlined high level financial information (which was regularly updated) for the reference of Members;

- (b) levels of reserves. When questioned, officers confirmed that they were content with the current level of unearmarked reserves and felt that the minimum level of £1.5 million was appropriate. With regard to the earmarked reserves, it was confirmed that they currently stood at £3 million.

It was then:

RESOLVED

1. That the report be noted; and
2. That the Leader of Council be asked to nominate a small working group of Members with the remit of re-designing the Council's Budget Book to reflect the new organisational structure and ways of working.

A.34/15

EXTERNAL AUDIT PLAN – KPMG REPORT

The Committee considered a report from KPMG that presented their External Audit Plan for the Council.

In discussion, the following points were raised:-

- (a) The Committee noted that the Council would be required before the middle of October to make a decision on whether or not to accept the four year funding settlement being offered by central government. Members noted the need for further information to be gleaned on the merits of the settlement before a decision was taken and that it was due to be discussed in detail at a meeting of the Devon Treasurers Group in April 2016. Officers also gave an assurance that the Audit Committee would consider this issue before it was presented to full Council for a decision;
- (b) In terms of the resource implications arising from the elector challenge, officers confirmed that the Council had received one request last year that had amounted to two hours of officer time;

- (c) Officers advised that the main driver for the change in revenue accruals de-minimis policy was to help with the process of closing down the accounts more quickly;
- (d) The KPMG representative informed the Committee that the organisation had recently completed its first on-site external audit. It was noted that this visit had been successful and that no significant issues had arisen. The representative also wished to put on record his gratitude for the support and enthusiasm that KPMG had received from the finance team.

It was then:

RESOLVED

That the External Audit Plan be noted.

A.35/15

APPOINTMENT OF EXTERNAL AUDITORS

Members considered a report that advised the Committee of the:

- requirement for the Council to appoint its own external auditor from 2018/19;
- necessary steps that need to be taken to meet this deadline; and
- various options available.

During discussion, it became apparent that the Committee currently favoured the concept of the sector-led option. However, Members recognised the importance of more information being available on all potential future options before a decision was ultimately made.

It was then:

RESOLVED

1. That the implications of the Local Audit and Accountability Act 2014 and the requirement for the Council to appoint a local auditor by 31 December 2017 be noted; and
2. That a decision will be required as to whether South Hams either opts in to a sector-led body or decides to appoint its own local auditor (and if so, which further option is then selected).

A.36/15

REVIEW OF THE COUNCIL'S CONSTITUTION

The Committee was presented with a report that presented the annual review of the Council Constitution.

In discussion, the Committee acknowledged the need for an imminent

review into both the Contract and Financial Procedure Rules.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** to:-

1. approve the amendments to the Council Constitution (as summarised in paragraph 2 of the presented agenda report and fully outlined on the Council website) and that the revised Constitution be adopted at the Annual Meeting in May 2016; and
2. acknowledge the need for an imminent review into both the Contract and Financial Procedure Rules.

A.37/15

STRATEGIC RISK ASSESSMENT – REGULAR UPDATE

Members considered a report that presented the six-monthly update to the Committee. In particular, 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, the following points were raised:-

- (a) Since the implementation of the Local Authority Controlled Company (LACC) was identified in the Corporate Risk report, the Chairman took the opportunity to raise his concerns over the proposals and he proceeded to propose the following recommendation:-

‘That the Committee RECOMMEND to the Council that all work relating to the Local Authority Controlled Company should be halted immediately due to the large number of financial, marketing, legal and staffing risks identified in the Grant Thornton ‘Options Appraisal for Establishment of a Local Authority Controlled Company (LACC) report.’

Whilst the proposal had not been seconded, the Chairman invited officers to respond. In so doing, officers advised that:

- the identified risk would only be applicable in the event of the LACC being established;
- in the event of the commissioned independent Business Case concluding that the LACC would not be viable, then officers would not be recommending its establishment;
- the business case itself would be designed to mitigate against each of the identified risks. In addition, the Business Case would be looking at all aspects of risk, exit strategies and budgetary forecasts;
- the intention being for the business case to be considered by the Overview and Scrutiny Panel and the Executive before it was ultimately presented to full Council at the end of June 2016;

- o a series of Member Briefings and Drop-in Sessions had been put in the diary to aid Member understanding of the proposals.

Members of the Committee felt that the Chairman's proposal was somewhat pre-emptive and that it was therefore more appropriate to wait for the business case to be published. As a consequence, the Chairman's proposal was not seconded.

However, Members did confirm their sympathy with some of the concerns expressed by the Chairman and felt it to be regrettable that the membership had not raised its concerns before the decision had been taken to spend a considerable amount of money to commission a Business Case. In light of these views, the following recommendation was **PROPOSED** and **SECONDED**:-

'That, due to the large number of financial, marketing, legal and staffing risks identified in the Grant Thornton 'Options Appraisal for Establishment of a Local Authority Controlled Company (LACC)' report, the Committee wishes to make its extreme concerns regarding the LACC proposals known to the wider Council membership.'

When put to the vote, this recommendation was declared **CARRIED**.

- (b) The Committee was of the view that there was a lack of information currently available to Members in relation to recruitment and staffing levels. For example, Members felt that information on staffing numbers, agency numbers, use of consultants and the associated costs of these were of particular interest and should therefore be a regular standing agenda item for the Committee.

Members proceeded to **PROPOSE** and **SECOND** the following recommendation:-

'That information on staffing numbers, agency numbers, use of consultants and the associated costs should be a regular agenda item for the Audit Committee to consider for the foreseeable future.'

When put to the vote, the recommendation was declared **CARRIED**.

It was then:

RESOLVED

1. That, due to the large number of financial, marketing, legal and staffing risks identified in the Grant Thornton 'Options Appraisal for Establishment of a Local Authority Controlled Company (LACC)' report, the Committee wishes to make its extreme concerns regarding the LACC proposals known to the wider Council membership;

2. That information on staffing numbers, agency numbers, use of consultants and the associated costs should be a regular agenda item for the Committee to consider for the foreseeable future; and
3. That the Committee has reviewed the six-monthly strategic risk assessment.

A.38/15 **2016/17 INTERNAL AUDIT PLAN**

The Committee considered a report that provided it with the opportunity to review and comment upon the proposed internal audit plan for 2016/17.

In discussion, reference was made to:-

- (a) street cleaning. During the proposed beach and street cleaning audit and, in light of some concerns raised by the Committee, officers agreed to review how the Council responded to complaints it received in relation to street cleaning;
- (b) planning enforcement. It was noted that, as part of the proposed internal audit, officers had been tasked (at the end of quarter three) with reviewing how effective the recent Council decision to approve the planning enforcement plan had been (Minute 65/15 refers). Having been informed by the lead Executive Member, the Committee also welcomed the diarised fortnightly meetings between legal and planning officers which were intended to support the process of reducing the backlog of enforcement cases.

It was then:

RESOLVED

1. That the report be noted; and
2. That the draft Internal Audit Plan for 2016/17 (as outlined at Appendix A of the presented agenda report) be approved.

(Meeting commenced at 10.00 am and finished at 11.40 am)

Chairman