

At a Meeting of the **AUDIT COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the 15th day of **APRIL 2014** at **11.00 am**.

Present: Cllr D K A Sellis – Chairman
Cllr T J Hill Cllr M Morse

Head of Finance
Chief Internal Auditor
Chief Accountant
Monitoring Officer
Committee & Ombudsman Link Officer

In attendance: Mr B Morris – Grant Thornton
Mr S Johnson – Grant Thornton

AC 36 APOLOGIES FOR ABSENCE

Apologies for absence were received from the Vice-Chairman, Cllr J B Moody, and from Cllr K Ball.

***AC 37 GOVERNANCE REVIEW OF THE LOCAL GOVERNMENT PENSION SCHEME**

Mrs C Thompson and Mr D Harris gave a presentation on the Local Government Pension Scheme in Devon.

The Committee was advised that the Pension Scheme through employee contributions and income from long term investments would be able to meet its financial commitments for at least the next 25 years. A note of caution, however, was expressed that with reducing employee numbers through re-organisation across local government meant that pension fund income from contributions reduced.

It was agreed that the presentation document be circulated to all Members and staff of the Council through the Members' Bulletin.

A copy of the presentation is attached to the signed copy of these Minutes.

***AC 37 CONFIRMATION OF MINUTES**

The Minutes of the Meeting held on 11th February 2014, were confirmed and signed by the Chairman as a correct record.

***AC 38 RESPONSE TO GRANT THORNTON PUBLICATION – AUDIT COMMITTEE UPDATE FOR WEST DEVON BOROUGH COUNCIL; AND UPDATE ON THE FUTURE OF LOCAL AUDIT**

Arising from Minute No CS 35 – 2013/2014, the Head of Finance presented a report (page 7 to the Agenda) on the response to the questions raised by Grant Thornton in their publication – Audit Committee Update for West Devon Borough Council which was presented to the Committee at its meeting in February 2014. The report also sought to update the Committee on the Local Audit and Accountability Act 2014 and the future of Local Audit following the disbandment of the Audit Commission.

During the Committee's meeting in February 2014, Grant Thornton presented their paper – Audit Committee Update for West Devon Borough Council from which the Head of Finance offered to provide the Committee with a formal response to specific questions. The formal response to the questions was presented in Appendix A to the report (page 11 to the Agenda), a copy of which is attached to the signed Minutes.

The Local Audit and Accountability Act 2014 received Royal Assent on 30th January 2014 and a summary was presented at Appendix B to the report (page 17 to the Agenda). The key messages were:

- (i) Independent Auditor Appointment Panels (IAP)
An Audit Committee could only act as an IAP if it already had an independent chairman, although an IAP could draw on an Audit Committee's advice in carrying out its functions. Several authorities could share an IAP.
- (ii) Resignation and removal of auditors
The regulations set out the process to be followed should an authority wish to remove its auditor, or if an auditor wished to resign.
- (iii) Eligibility and regulations of auditors
The names of those individuals assessed as competent to take primary responsibility for a local audit, to be published in a local audit register. In mirroring the regulatory framework for statutory audit, the recognised supervisory bodies for local audit will have rules in place and practices which must comply with specific guidance issued by the Financial Reporting Council.
- (iv) Accounts and audit regulations
There was broad support for maintaining current provisions but also the suggestions for particular improvements to the regulations. The Government also intended to keep public rights of inspection and they constituted important local scrutiny and accountability measures.

The Committee accepted that the requirements on the Council would not be clear until guidelines were issued by Government in May 2014, and asked to be updated at the Committee's next meeting.

It was **RESOLVED** that the report with Appendices A and B be received and noted.

AC 39

ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION

The Monitoring Officer and the Democratic Services Manager presented a joint report (page 20 to the Agenda) seeking the Committee's approval to request Council approval to adopt the updated Constitution. The Constitution had been amended during the year to reflect that changes that had occurred which had affected the Council and to incorporate any changes necessary to ensure that the Constitution was up-to-date, lawful and reflected the Council's current practices.

The proposed main amendments, as detailed in paragraph 2 of the Officers' report and shown highlighted on the Council's web site, are:

Part 2 – Article 7: Regulatory and Other Bodies and Part 2 – Article 9: Joint Arrangements: delete reference to the Shared Services Steering Group and replace it with details relating to the T18 Steering Group.

Part 2 – Article 10: Officers: to update the functions of the Monitoring Officer to enable the postholder to make decisions on Standards Complaints in accordance with the adopted procedures, and to extend the range of officers able to sign Council documents to facilitate signing of urgent documents.

Part 2 – Article 8: Joint Arrangements: discontinuance of the Shared Services Steering Group and establishment of the Steering Group for the T18 Transformation Programme.

Part 3 – Delegation Scheme: to amend the terms of reference of the full Council to make it a requirement for any changes to the political composition of the Council to be reported to the next meeting for noting purposes. In addition, it is suggested that the Audit Committee be assigned responsibility for the Council's Data Protection Policy.

Part 4 – Financial Procedure Rules: to amend the rules whereby the lower limits in relation to the urgent use of Acquisitions and Asset Disposals be increased from £25,000 to £50,000 before there is a requirement for any Member involvement. The Committee was advised that this simplified the existing arrangements and the limit above £50,000 remained unchanged, requiring Member approval.

Officers had been advised that a detailed review of the Contract Procedure Rules was required and had commenced, it was proposed that this be carried out during the ensuing months with a report being presented to the Committee's meeting in June 2014.

It was **RESOLVED** to **RECOMMEND** that:

- (i) the proposed amendments to the West Devon Borough Council Constitution as summarised above and in paragraph 2 of the Officers' joint report and highlighted on the Council's web site be approved and adopted; and,
- (ii) Community Engagement and Corporate Planning Framework be transferred from the Community Services Committee to the Resources Committee to enable one committee only to consider the new 'Our Plan' which will replace the Connect Strategy and which will draw together service areas currently under the remit of the separate committees.

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It was **FURTHER RESOLVED** that:

- (i) the need for a detailed review of the Contract Procedure Rules be undertaken and that a report on the review be presented to the Committee's meeting June 2014; and,
- (ii) the Overview & Scrutiny Committee be offered training in relation taking on the responsibility for scrutinising the T18 Programme and providing a quality control function.

***AC 40**

INTERNAL AUDIT: CHARTER & STRATEGY 2014/2015

The Section 151 Officer and the Chief Internal Auditor presented a joint report (page 24 to the Agenda) requesting the Committee to review and comment on the Internal Audit Charter and Strategy for 2014/2015. Two appendices were presented with the report: Appendix A – The Internal Audit Charter (page 29 to the Agenda); and Appendix B – Internal Audit Strategy 2014/2015 (page 38 to the Agenda).

The Internal Audit Charter (Appendix A), formally Terms of Reference, had been updated having regard to the Institute of Internal Auditors (IIA) 2013 publication "Applying the IIA International Standards to the UK Public Sector", and CIPFA equivalent "Local Government Application Note for the UK Public Sector Internal Audit Standards".

The Internal Audit Strategy 2014/2015 (Appendix B) was a high level statement of how the internal audit service would be delivered and developed in accordance with the Charter and how it linked with organisational objectives and priorities.

The United Kingdom Public Sector Internal Audit Standards (PSIAS) was introduced in 2013 and applied to the whole of the public sector. The PSIAS was based on the Institute of Internal Auditors Standards but with a small number of additional requirements. One such requirement was for the Council to appoint an independent and suitably qualified person to undertake an external assessment of the quality assurance programme. The Committee was advised a number of the Devon Internal audit teams had approached a former Chief Internal Auditor to carry out such work.

It was **RESOLVED** that the Internal Audit Charter & Strategy for 2014/2015 be approved and adopted and that the proposals for an independent assessment as required by the United Kingdom Public Sector Internal Audit Standards be noted.

AC 41

INTERNAL AUDIT PLAN – 2014/2015

The Chief Internal Auditor and the Section 151 Officer presented a joint report (page 47 to the Agenda) on the proposed Internal Audit Plan for 2014/2015. The Plan, which was presented as Appendix A to the report (page 53 to the Agenda), aimed to make the best use of resources to enable the Chief Internal Auditor to provide an opinion on the adequacy, effectiveness and reliability of the Council's internal control and governance framework. Such work would provide assurance for the Annual Governance Statement.

The Chief Internal Auditor further reported that the internal audit plan was probably now at capacity for the resources available to action it.

It was **RESOLVED** to **RECOMMEND** that the Internal Audit Plan for 2014/2015 as presented at Appendix A, be approved and adopted.

***AC 42 CHECKLIST FROM THE AUDIT COMMISSION DOCUMENT: PROTECTING THE PUBLIC PURSE 2013 (FIGHTING FRAUD AGAINST LOCAL GOVERNMENT)**

The Chief Internal Auditor and the Section 151 Officer presented a joint report (page 58 to the Agenda) on the position of the Council in relation to the checklist in the Audit Commission's publication "Protecting the Public Purse 2013 (Fighting Fraud against Local Government) (November 2013)". This was the fifth publication of the checklist.

The fraud return for the Borough Council for 2012/2013 showed that there were 20 benefit fraud cases of which one had a total value of over £10,000 in overpaid benefits. Of the 20 benefit fraud cases, 4 were prosecuted. There were no identified cases of non-benefit fraud.

Presented with the report at Appendix A (page 64 to the Agenda) was the Council's completed Checklist for 2013. The Appendix detailed the Checklist information given in 2012 updated for 2013 and this provided comparable data for Committee scrutiny.

It was **RESOLVED** that the report and Appendix be received and noted.

AC 43 INTERNAL AUDIT – PROGRESS AGAINST THE 2013/2014 PLAN

The Chief Internal Auditor presented a report (page 75 to the Agenda) on the principle activities and findings of the Council's Internal Audit team for 2013/2014 up to the end of February 2014. This was the third quarterly report for the 2013/2014 Internal Audit Plan.

Two appendices were presented with the report. Appendix A (page 82 to the Agenda) detailed in tabular form the audits completed, the Internal Audit opinion and comments and those audits in progress but nearing completion. Appendix B (page 85 to the Agenda) detailed the final reports of those audits undertaken and completed. Eight final reports had been issued, seven of which had been rated "Good" with the eighth rated as "Excellent".

The Internal Audit Plan was on course to be completed within the given timeframe.

The Chairman mentioned that some awareness training on safeguarding issues would be welcomed.

It was **RESOLVED** to **RECOMMEND** that the report be noted.

***AC 44 THE AUDIT PLAN FOR WEST DEVON BOROUGH COUNCIL**

Grant Thornton presented a report (page 93 to the Agenda) on the audit activity carried out by the Council's external auditors in preparation for the Annual Audit of Accounts. The preparatory work had focussed on risks and two significant risks had been identified and the work to mitigate these risks, both completed and pending, was

detailed in the report at page 99 to the Agenda. Three additional risks of lesser significance had also been identified and work planned to resolve these was set out on page 100 to the Agenda.

It was **RESOLVED** that the external auditor's report be received and noted.

***AC 45 AUDIT COMMITTEE UPDATE FOR WEST DEVON BOROUGH COUNCIL**

Grant Thornton presented a report (page 110 to the Agenda) on the progress being made in delivering their responsibilities as the Council's external auditors. The report detailed the planned and completed audit activity as at 21st March 2014 and the emerging issues and developments that the Audit Committee should be made aware of.

It was **RESOLVED** that the external auditor's report be received and noted.

AC 46 STRATEGIC RISK ASSESSMENT – 6 MONTHLY UPDATE

The Head of Finance and Audit presented a report (page 129 to the Agenda) giving a 6 monthly update on the Council's Strategic Risk Assessment in accordance with the Joint Risk Management Policy adopted by the Council on 17th May 2012. The report included the current corporate strategic risk assessment together with a summary of the management and mitigation actions taken or proposed to address the identified risks.

Appendix 1 presented with the report comprised 5 tables and contained exempt information under Paragraph 3 of the Local Government Act 1972 (Section 100(A)(4)). The tables included a summary of mitigating and management actions either undertaken or proposed to manage the identified risks. The tables referred to both shared risks and those affecting only one Council on the basis of the benefit in understanding the risks across both Councils and how they might be addressed.

The Committee's attention was drawn to those risks with a rating of 16 or above as identified by the Council's Senior Management Team and the actions being taken to address those risks. Those risks were alluded to in paragraph 3.1 of the officer's report but given in greater detail within the exempt Appendix 1.

It was **RESOLVED** to **RECOMMEND** that the report and the Appendix be received and noted as presented.

(The Meeting terminated at 1.20 pm.)