

At a Meeting of the **AUDIT COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **10th** day of **JUNE 2014** at **11.00 am**.

Present:
Cllr D K A Sellis – Chairman
Cllr J B Moody – Vice-Chairman
Cllr T Hill
Cllr M Morse

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

In attendance: Cllr R Sampson
Mr S Johnson – Grant Thornton

AC 1 APOLOGY FOR ABSENCE

An apology for absence was received from Cllr K Ball.

AC 2 CONFIRMATION OF MINUTES

The Minutes of the Meeting held on 15th April 2014, were confirmed and signed by the Chairman as a correct record.

***AC 3 INTERNAL AUDIT – ANNUAL REPORT AND OPINION ON THE ADEQUACY OF INTERNAL CONTROL 2013/14**

The Chief Internal Auditor and the Head of Finance & Audit (S151 Officer) presented a joint report (page 6 to the Agenda) summarising the principal activities of the Internal Audit team for West Devon Borough Council during the year 2013/2014. This was shown in the report through:

- (i) showing the progress made by the section against the 2013/14 audit plan reviewed by the Committee in April 2013;
- (ii) providing an 'Opinion' on the adequacy of the Council's control environment;
- (iii) outlining any significant findings and the action taken by managers to address the recommendations; and,
- (iv) providing a summary of the main issues raised by individual audits.

In relation to the above, two Appendices were presented with the report; Appendix A (page 12 to the Agenda) detailed the audit plan for 2013/14 showing the audits completed, the Chief Internal Auditor's opinion and the comments arising; Appendix B (page 15 to the Agenda) detailed the final reports of completed audits.

Within Appendix B, three audits had achieved a final rating of "Fair"; Use of Agency Staff, Benefits and Homelessness. In each case the Management Response was positive and it was anticipated that a higher audit rating would be achieved next time.

The Annual Governance Statement was required to be signed by the most senior Member and Officer of the Council. To do so the Head of

Internal Audit must give an opinion on the adequacy and effectiveness of the control environment, which must include details of any weaknesses that qualify the opinion and any issues relevant to the preparation of the Statement must also be disclosed. The Chief Internal Auditor's Statement said:

"The Chief Internal Auditor has concluded that the Council's overall control environment is adequate and effective for the purposes of the 2013/14 Annual Governance Statement. This opinion is based on the work done and opinions as set out in Appendix A, further details of which are included in Appendix B to the report".

It was **RESOLVED** that the Chief Internal Auditor's Opinion on the Adequacy of Internal Control and the report be noted.

***AC 4**

EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2013/14

The Chief Internal Auditor and the S151 Officer presented a joint report (page 24 to the Agenda) to provide the Committee with an assurance that the System of Internal Audit was in place and was effective. The purpose of the report was to show the Committee that the Council's Internal Audit Section continued to reach the standards set by the Chartered Institute of Public Finance and Accountancy (CIPFA) thereby enabling the Council's external auditors to gain assurance from the work of the section and that the service provided was received well.

The report also demonstrated that the wider System of Internal Audit was effective and contributed to the assurance provided by the Chief Internal Auditor's Opinion on the Adequacy of Internal Control which was provided in relation to Minute No AC 2 – 2014/2015 above.

It was **RESOLVED** that the findings of the Review of the Effectiveness of the System of Internal Audit as set out in the report be noted.

AC 5

REVISION OF THE CONTRACT PROCEDURE RULES

The S 151 Officer, Monitoring Officer and Chief Internal Auditor presented a joint report (page 32 to the Agenda) to allow the Committee to carry out an overview of the proposed updated Contract Procedure Rules and the amended rules surrounding Exemptions to enable an adoption recommendation to Council.

The proposed Contract Procedure Rules amended for June 2014 were presented in Appendix A (page 37 to the Agenda) with any changes to the September 2011 document highlighted in red typeface.

The key changes for the 2014 document were:

- Paragraphs 3.6 and 3.11: Changes to the Exemption Rules, adding the *Corporate Procurement Officer* as formal contact;
- Paragraph 3.12: Rules on In-house or Quasi In-house Arrangements;
- Paragraph 7.1.1: Inclusion of a supplier from within the Council's boundaries;
- Paragraph 7.3: Enhanced guidance on the use of Framework Agreements;

- Paragraph 7.4: Introduction of Dynamic Purchasing System (similar to Framework Agreements but with the opportunity to add suppliers during the life of the agreement);
- Paragraph 8.1: Enhanced competition requirements including changes to the limits for quotation and tendering, and rules relating to shared procurement;
- Paragraph 8.3: Reference to HMRC guidelines in relation to checks on the self employed status of consultants;
- Paragraph 10.1: Introduction of 'Selection Criteria' in addition to Award Criteria';
- Paragraph 23: New rules covering 'State Aid'; and
- Paragraph 24: New rules covering 'Development Agreements'.

The proposed changes to these rules had been made with regard to the progress being made on the Transformation 18 (T18) Programme as at the time the report was written, however, as T18 moved into the implementation phase when roles and responsibilities would become clearer, a further update would most probably be necessary.

Subsequent to the report having been published and discussed by the South Hams District Council's Audit Committee, the Chief Internal Auditor tabled a slightly revised copy of paragraph 8.1 Purchasing: Competition Requirements to Obtain Quotations or Tenders (page 57 to the Agenda) simplifying the original text. Further, and within the same section, the Chief Internal Auditor agreed to clarify which officer' designation would be given in the "Short Listing" column for ICT when conducting purchases currently stated as being "TBC" (page 58 to the Agenda).

In further discussion, the Committee had some reservations in relation to Section 7, paragraph 24 "Development Agreements (page 77 to the Agenda) and agreed that this paragraph be removed from the final document for the time being pending further clarification and that a further report be brought to a future meeting of the Committee. The Committee was advised that South Hams District Council's Audit Committee had not made a similar request and had accepted this page.

It was **RESOLVED** to **RECOMMEND** that, subject to the removal of paragraph 24 "Development Agreements (page 77 to the Agenda) for the time being, the proposed revised Contract Procedures Rules as set out in Appendix A be approved by Council and included within the Council's Constitution and that a report on Development Agreements be presented to a future meeting of the Audit Committee.

***AC 6**

CODE OF CORPORATE GOVERNANCE – COMPLIANCE REVIEW 2013/14

The Head of Finance & Audit (S151 Officer), the Monitoring Officer and the Chief Internal Auditor presented a joint report (page 78 to the Agenda) on the results of the 2013/2014 compliance review of the 2011 Code of Corporate Governance. The Code described the

Borough Council's intentions in discharging its responsibilities and how it would be tested and monitored annually.

Six appendices were presented with the report:

Appendix A – Principle 1 (page 88 to the Agenda) : this appendix focussed on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

Appendix B – Principle 2 (page 94 to the Agenda) : this appendix focussed on Members and officers working together to achieve a common purpose with clearly defined functions and roles;

Appendix C – Principle 3 (page 101 to the Agenda) : this appendix focussed on promoting the values of the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

Appendix D – Principle 4 (page 104 to the Agenda) : this appendix focussed on taking informed and transparent decisions which had been subjected to effective scrutiny and risk management;

Appendix E – Principle 5 (page 109 to the Agenda) : focussing on developing the capacity and capability of elected Members and officers to be effective; and,

Appendix F – Principle 6 (page 112 to the Agenda) : focussing on engagement with local people and other stakeholders to ensure robust public accountability.

In relation to a statement contained within Appendix F (at page 113 to the Agenda) the Chairman and Vice-Chairman expressed their support for the use of Facebook and Twitter to disseminate information and to respond to residents' concerns, queries and complaints. It was their view that both Members and officers should make greater use of the social media streams.

The Committee expressed its thanks to the Council's Monitoring Officer and her colleagues for their work in relation to ensuring compliance with the Code.

It was **RESOLVED** that the findings of the 2013/2014 Compliance Review of the Council's Code of Corporate Governance be noted and that the significant governance issues be taken to the 2013/2014 Annual Governance Statement.

***AC 7**

PLANNED AUDIT FEE FOR 2014/15

The Committee received the letter from the Council's external auditors, Grant Thornton UK LLP (page 117 to the Agenda) which detailed the planned audit fee structure for 2014/2015. The letter advised that the Audit Commission had set the Council's fee at £51,628 which was the same as set for the year 2013/2014 and that the fee for the certification of grant claims and returns had been set at £7,120.

The letter also set out an outline audit timetable stating that audit planning and interim audit procedures would be undertaken in January 2015 after which a detailed audit plan would be prepared for audit work to be completed in September 2015 with the Value for Money conclusion and the whole government accounts return.

It was **RESOLVED** that the letter, fee structure and outline audit timetable be accepted.

***AC 8**

CHANGE OF DATE OF THE COMMITTEE'S MEETING IN SEPTEMBER 2014

It was **RESOLVED** that the date of the Committee's Meeting to be held in September 2014, be changed to Tuesday 23rd September 2014 and that the Meeting scheduled for Tuesday 30th September 2014 be cancelled.

(The Meeting terminated at 12.30 pm.)