

At a Meeting of the **AUDIT COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **23<sup>rd</sup>** day of **SEPTEMBER 2014** at **2.00 pm**.

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

**Substitute:** Cllr J Sheldon

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

**In attendance:** Cllr D Whitcomb  
Mr S Johnson – Grant Thornton Audit Manager  
Mr B Morris – Grant Thornton Engagement Lead  
Mr R Hutchins – Devon Audit Partnership

**AC 16 APOLOGY FOR ABSENCE**

An apology for absence was received from Cllr K Ball (Substitute: Cllr J Sheldon).

**\*AC 17 CONFIRMATION OF MINUTES**

The Minutes of the Meeting held on 22<sup>nd</sup> July 2014 (page 6 to the Agenda) were confirmed and signed by the Chairman as a correct record.

**\*AC 18 ANNUAL GOVERNANCE STATEMENT 2013/14 – UPDATE**

Arising from Minute Nos. AC 12 – 2014/2015 and CM 35 – 2014/2015, the Head of Finance & Audit, the Monitoring Officer and the Chief Internal Auditor presented a joint report (page 9 to the Agenda) on the Annual Governance Statement. A draft version of the Annual Governance Statement had been considered by the Audit Committee at its Meeting on 22<sup>nd</sup> July 2014; Council on the same day gave delegated authority for the Audit Committee to approve the final version of the Statement for adoption and publication.

This action was in accord with the requirements of the Accounts and Audit (Amendment)(England) Regulations 2011 which required the Annual Governance Statement to be published by the end of September each year at the same time as the audited Annual Statement of Accounts (Minute No AC 18 – 2014/2015 below refers).

Two appendices were presented with the report with Appendix A showing the Annual Governance Statement Framework (page 14 to the Agenda) and Appendix B being the Annual Governance Statement for 2013/14 (page 15 to the Agenda).

It was **RESOLVED** that the Annual Governance Statement 2013/14 be approved and adopted and it be noted that there had been no changes to the draft Statement as considered by the Committee in July 2014.

**AC 19      AUDIT OF THE ANNUAL STATEMENT OF ACCOUNTS 2013/2014**

Arising from Minute No AC 11 – 2014/2014, the Head of Finance & Audit presented a report (page 33 to the Agenda) on the audited Statement of Accounts for 2013/2014 and the Letter of Representation.

The draft Annual Statement of Accounts was considered by the Audit Committee on 22<sup>nd</sup> July 2014 and audited by the Council’s External Auditors, Grant Thornton, during July and August 2014. Post audit changes had been incorporated within the accounts in line with Grant Thornton’s recommendations contained within their “Audit Findings Report” (Minute No. AC 19 – 2014/2015 below refers).

Two appendices were presented with the report with Appendix A being the Financial Statements and Technical Appendix 2013/2014 (page 37 to the Agenda), and Appendix B being the Letter of Representation (page 114 to the Agenda).

Arising from discussion, Cllr Moody reported that with Cllr Ball, he had been undertaking a review of the usage of the Borough Council’s car parks. The review was to identify the peaks and troughs of usage and whether any fee structure differentials would be beneficial to the Council. The review was complex and was continuing.

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

- (i) the Financial Statements and the Technical Appendix as given in Appendix A be approved and adopted; and,
- (ii) the wording of the Letter of Representation as given in Appendix B be also approved and signed by the Chairman and Head of Finance & Audit.

**\*AC 20      AUDIT FINDINGS REPORT**

Grant Thornton (external auditors) presented their Audit Findings report for the year ending 31<sup>st</sup> March 2014 (page 118 to the Agenda). In the Executive Summary of their report, Grant Thornton said that they:

- (a) had identified a presentational error within the financial statements which had been rectified, however, as it did not affect the reported reserves, Grant Thornton expected to issue an unqualified opinion;
- (b) proposed to give an unqualified opinion on the Value for Money conclusion; and,
- (c) had no issues to highlight in respect of the Whole of Government Accounts.

In their conclusion, Grant Thornton said “On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *West Devon Borough Council* put in place proper

arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014”.

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

**AC 21                    TREASURY MANAGEMENT – ANNUAL REPORT 2013/2014**

The Head of Finance & Audit presented the Annual Treasury Report (page 144 to the Agenda) which reviewed the treasury management activities and the actual prudential and treasury indicators for 2013/2014 as required by the Local Government Act 2003. There were no financial implications directly attached to the report but there was a budgeted investment income of £34, 321 and the actual outturn for the year was £27,929.55. The report also showed that the Council had exceeded the benchmark of 0.39% return on its activities by achieving a 0.42% return on its investments up to 31<sup>st</sup> March 2014.

Two appendices were presented with the report with Appendix A being the Prudential and Treasury Indicators as at 31<sup>st</sup> March 2014 (page 156 to the Agenda), and Appendix B Benchmarking (page 158 to the Agenda).

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

- (i) the Treasury Management Report for 2013/2014 be received and noted;
- (ii) the actual prudential indicators for 2013/2014 as shown in Appendix A, be noted; and,
- (iii) the Minimum Revenue Provision Statement as detailed in paragraph 6.2 of the officer’s report (page 148 to the Agenda) be also noted.

**AC 22                    INTERNAL AUDIT – REVISION OF AND PROGRESS AGAINST THE 2014/15 PLAN**

Arising from Minute No AC 41 – 2013/2014, the Chief Internal Auditor presented a report (page 159 to the Agenda) detailing the principle activities and findings of the Council’s Internal Audit team for 2013/2014 to the 31<sup>st</sup> July 2014, by:

- (a) highlighting the need to revise the internal audit plan for 2014/2015 to reflect the impact of the T18 Transformation Programme blueprinting;
- (b) providing a summary of the main issues raised by completed individual audits; and,
- (c) showing the progress made by the Internal Audit Section against the 2014/2015 annual audit plan and reviewed by this Committee in April 2014.
- (d) future choice of External Auditor. The Head of Finance & Audit provided an update on the views of the Audit Commission regarding the future choice of External Auditor. Whilst the Commission had now agreed that the Auditor should be the same for both the Council and South Hams District Council, the recommended appointment for both councils was no longer Grant Thornton. The recommendation was out for consultation

until 10<sup>th</sup> October 2014 and the Committee felt that, in light of the loss of corporate knowledge and the need for continuity at this stage in the transformation programme, strong representations should be made to the Commission urging them to re-appoint Grant Thornton to the role of External Auditors for both councils.

Two appendices were presented with the report with Appendix A being the Audit Plan for 2014/2015 (page 167 to the Agenda) and Appendix B being the Planned Audit 2014/2015 Final reports (page 170 to the Agenda).

The audit plan was continuously reviewed and updated to reflect emerging risks and, depending upon their significance, these were incorporated into the plan either through contingency days or by making changes to the plan.

In progressing the T18 Transformation Programme, the provision of the internal audit service was considered by the Senior Management Team. A number of options were considered but the final decision was that the role of Chief Internal Auditor be made redundant whilst retaining two Council employed internal auditors. Ultimately the two current internal auditors were successful in their respective applications. The post of Chief Internal Auditor was made redundant; the service would now be managed by Devon Audit Practice. The Internal Audit Plan had been amended accordingly to take account of new working practices.

Arising from Minute No AC 13 – 2014/2015, the Head of Finance & Audit reported that she had written to the Audit Commission requesting that just one audit company provide external audit services to both South Hams District and West Devon Borough Councils. Regrettably the Audit Commission whilst agreeable to having just one company to provide services to both Councils, decided that a company other than Grant Thornton be so appointed.

It was agreed that the Head of Finance & Audit write again to the Audit Commission to retain the external audit services provided by Grant Thornton for continuity at the time of great upheaval and change affecting both Councils.

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

- (i) the revisions being made to the 2014/2015 Internal Audit Plan and the progress being in achieving the aims of the Plan be noted; and,
- (ii) representations be sent to the Audit Commission which outline the Council's deep reservations regarding the recommendation to no longer appoint Grant Thornton as the Council's External Auditor.

(The Meeting terminated at 3.13 pm.)