

At a Meeting of the **AUDIT COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **24th** day of **FEBRUARY 2015** at **11.00 am**.

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

Finance Community of Practice Lead
Head of Devon Audit Partnership
Finance Business Partner (AW)
Committee & Ombudsman Link Officer

In attendance: Mr S Johnson – Grant Thornton – Audit Manager

AC 30 APOLOGIES FOR ABSENCE

Apologies for absence were received from the Vice-Chairman Cllr J B Moody and from Cllr M Morse.

***AC 31 CONFIRMATION OF MINUTES**

The Minutes of the Meeting held on 25th November 2014, were confirmed and signed by the Chairman as a correct record.

AC 32 REPORT ON VALUE FOR MONEY FOR WEST DEVON BOROUGH COUNCIL

Grant Thornton (External Auditors) presented a report (page 9 to the Agenda) which summarised the findings from their work supporting their Value for Money (VfM) conclusion. The VfM report complemented Grant Thornton's Audit Findings Report through providing additional detail on the themes which underpinned the VfM conclusion.

Grant Thornton had identified no significant risks during their VfM planning and expressed their conclusion as:

“On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2014.”

Arising from the discussion thereon:

- (i) Council tax benefits and housing benefits (2012/2013 data) – the Committee noted the higher cost of administering the benefits but was assured that these costs would reduce when 2013/2014 data was used to be nearer the “family average” and when the T18 Programme was fully operational costs would be further reduced.
- (ii) Housing Services (2012/2013 data) – the Committee noted that homelessness was increasing in 2012/2013 and officers agreed to investigate possible reasons for this and to present a report to the Committee's next meeting.

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

***AC 33 CERTIFICATION WORK FOR WEST DEVON BOROUGH COUNCIL FOR YEAR ENDED 31st MARCH 2014**

Grant Thornton (External Auditors) presented their letter (page 25 to the Agenda) confirming that they had certified certain claims and returns submitted by the Borough Council as required so to do. Arrangements for certification were prescribed by the Audit Commission, which had agreed the scope of work with each relevant government department or agency, and auditors would be issued with Certification Instructions for each specific claim or return.

Grant Thornton had certified one claim submitted by the Council for the 2013/2014 financial year relating to expenditure of £14.1 million. The certification was “qualified” inasmuch as the Council did not update the system parameters annually “specifically for types of claim for which that no cases are expected e.g. Polygamous marriages”. Whilst this did not affect the total claim submitted, Grant Thornton needed to test the robustness of the system to ensure compliance. In so doing the Council incurred an additional charge of £900.

It was **RESOLVED** that the letter be received and noted and the assurance of the Finance Community of Lead that Grant Thornton’s recommendations as given in Appendix A (page 26 to the Agenda) have been adopted and acted upon.

***AC 34 WEST DEVON BOROUGH COUNCIL AUDIT COMMITTEE UPDATE**

Grant Thornton presented a report (page 29 to the Agenda) updating the Committee on the progress being made in the delivery of their responsibilities as the Council’s External Auditors. The report also referenced a number emerging national issues and developments for the Committee’s information.

The report also included a detailed position statement on the work currently being undertaken and the timetable and scope of activity for future work to be undertaken within the current year.

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

***AC 35 PROTECTING THE PUBLIC PURSE – FRAUD BRIEFING 2014**

Grant Thornton presented a Fraud Briefing (page 42 to the Agenda) which had been prepared as a Power Point presentation by the Audit Commission. The purpose of the Fraud Briefing was four-fold:

- (i) to provide an information source to support councillors in considering their council’s fraud detection activities;
- (ii) to extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities;
- (iii) to give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed; and,
- (iv) to be a catalyst for reviewing the Council’s current strategy, resources and capability for tackling fraud.

West Devon Borough Council was a member of a comparator group of 21 local authorities and contained within the report was comparable data showing the fraud detected in West Devon. During the year 2013/2014, West Devon had detected 12 cases of Housing Benefit and Council Tax Benefit fraud valued at £51,932 (average for the comparator group was 65 cases valued at £122,447) and no cases of Council Tax discount fraud (average for the comparator group was 7 cases valued at £2,705).

In West Devon there were no cases of detected fraud in relation to procurement, insurance, economic and third sector nor were there any detected cases of internal fraud.

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

AC 36 INTERNAL AUDIT – REVISION OF AND PROGRESS AGAINST THE 2014/15 PLAN

The Head of Devon Audit Partnership presented a report (page 54 to the Agenda) on the principal activities and findings of the Council's Internal Audit team for 2014/2015 to the 31st December 2014 through highlighting the need to revise the internal audit plan to reflect the impact of the T18 Transformation Programme blueprinting, by providing a summary of the main issues raised by completed individual audits and by showing the progress made by the Internal Audit team against the 2014/2015 annual audit plan as reviewed by this Committee in April 2014.

The internal audit plan was continuously reviewed and update to reflect emerging risks and the 2014/2015 Internal Plan was presented with the report at Appendix A (page 60 to the Agenda) and this had been extended to show the final position of each audit and it also replicated part of the monitoring report presented monthly by the S151 Officer. A summary of the issues raised and the agreed action arising was presented in Appendix B (page 63 to the Agenda). The internal audit plan for 2014/2015 was progressing according to the programme and was considered to be "on target".

It was **RESOLVED** to **RECOMMEND** that the reports together with Appendices A and B be adopted.

AC 37 THREE YEAR INTERNAL AUDIT PLAN 2015/16 TO 2017/18 AND ANNUAL INTERNAL AUDIT PLAN – 2015/16

The Head of Devon Audit Partnership and the Section 151 Officer presented a joint report (page 68 to the Agenda) to provide the Committee with the opportunity to review and comment upon the proposed internal audit plan for the forthcoming three years 2015/16 to 2017/18 and the proposed internal audit plan for 2015/16.

A three year plan had been drawn up to cover the period 2015/2016 to 2017/2018 and this was presented with the report at Appendix A (page 75 to the Agenda). The three year plan reflected the reduced level of internal audit resource following the T18 review; audit resources had been reduced to around 100 days per financial year from 115 days and

the plan had been developed to optimise the use of the limited audit time now available. Appendix B (page 80 to the Agenda) showed pictorially the provisional time aggregation for service audits during the three year period.

The Annual Audit Plan for 2015/2016 was presented as Appendix C to the report (page 81 to the Agenda) and this detailed the audit programme and resource allocation for the year.

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

1. the three year Internal Audit Plan for the period 2015/2016 to 2017/2018 (Appendix A) be approved and adopted; and,
2. the Annual Internal Audit Plan for 2015/2016 (Appendix C) be also approved and adopted.

***AC 38 INTERNAL AUDIT: CHARTER & STRATEGY – 2015/16**

The Head of Devon Audit Partnership and the Section 151 Officer presented a joint report (page 83 to the Agenda) on the proposed Internal Audit Charter and Strategy for 2015/2016. The Public Sector Internal Audit Standards (PSIAS) and the Audit Manual required that the Charter and Audit Strategy be presented to the Audit Committee for review and approval. The Charter was presented with the report at Appendix A (page 87 to the Agenda) with the Audit Strategy presented as Appendix B (page 96 to the Agenda).

The Charter detailed the scope of work required to be undertaken by Internal Audit and the Strategy document detailed how the internal audit service would be delivered.

It was **RESOLVED** that the Internal Audit Charter and Strategy 2015/2016 be approved and adopted.

AC 39 TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION POLICY AND ANNUAL INVESTMENT STRATEGY FOR 2015/16

The Finance Community of Practice Lead (S.151 Officer) presented a report (page 105 to the Agenda) seeking approval of the proposed Treasury Management and Investment Strategies together with their associated prudential indicators. Sound financial management and administration underpinned the entire strategy and the budget for investment income for 2015/2016 had been set at £40,000. Falling interest rates over the years had had a considerable impact on the Council's potential income from investments. As an example of falling investment income, the Committee was advised that between 2007/2008 and 2015/2016 investment income had fallen by £680,000.

Six appendices were presented with the report with Appendix A being the Capital Prudential Indicators (page 111 to the Agenda); Appendix B being the Treasury Management Strategy (page 115 to the Agenda); Appendix C being the Annual Investment Strategy (page 121 to the Agenda); Appendix D being the Treasury Management Practice (TMP 1) – Credit and Counterparty Risk Management (page 125 to the

Agenda); Appendix E being the Treasury Management Scheme of Delegation (page 130 to the Agenda); and, Appendix F bring a glossary of terms (page 131 to the Agenda).

It was **RESOLVED** to **RECOMMEND** that Council approves the:

- (i) prudential indicators and limits for 2015/2016 to 2017/2018 contained within Appendix A;
- (ii) Minimum Revenue Provision (MRP) Statement contained within Appendix A which sets the Council's policy on MRP;
- (iii) Treasury Management Strategy 2015/2016 and the Treasury Prudential Indicators 2015/2016 to 2017/2018 contained within the Appendix B; and,
- (iv) Investment Strategy 2015/2016 contained within Appendix C and the detailed criteria included in Appendix D.

AC 40

STRATEGIC RISK ASSESSMENT – 6 MONTHLY UPDATE

The Finance Community of Practice Lead presented the six monthly update report on Strategic Risk Assessment (page 133 to the Agenda). Two appendices were presented with the report with Appendix A (page 136 to the Agenda) showing the Strategic Financial and Asset Risks, Strategic Management Risks, Strategic Staffing Risks and Corporate Issues Risks, and Appendix B (page 147 to the Agenda) showing the Transformation Programme 2018 Risks.

Arising from the discussion the following issues were discussed:

- (i) External funding opportunity
In response to a question by the Chairman it was agreed that the possibility of selling advertising space on the Council's web site would be investigated;
- (ii) in relation to risk FA06 (page 142 to the Agenda) the Committee suggested that opportunities to retain and to capitalise on assets be explored before considering the sale of such assets; and,
- (iii) in relation to risk T11 (page 151 to the Agenda) it was suggested that a full presentation on the T18 Programme be presented to all new Members of the Council following the local government elections in May 2015.

It was **RESOLVED** to **RECOMMEND** that the issues identified by the Committee and detailed in items (i) to (iii) above be considered by the Council.

(The Meeting terminated at 1.05 pm.)