

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 25 JANUARY 2018**

Members in attendance			
* Denotes attendance			
∅ Denotes apology for absence			
*	Cllr I Bramble	*	Cllr J A Pearce (Chairman)
*	Cllr J Brazil	*	Cllr J T Pennington (Vice-Chairman)
*	Cllr T R Holway		

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

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer; Group Manager (Customer First and Support Services); Internal Audit Manager; KPMG Manager; Senior Specialist – ICT (Information Security); and Senior Specialist – Democratic Services

A.25/17 MINUTES

The minutes of the meeting held on 21 September 2017 were confirmed as a correct record and signed by the Chairman.

For clarity, the Chairman advised that it had now been ascertained that the sea wall at Hope Cove was not within the ownership of the Council.

A.26/17 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.27/17 KPMG ANNUAL AUDIT LETTER AND CLOSURE OF THE AUDIT LETTER

The Committee received the Council's Annual Audit Letter that summarised the key findings arising from the work that KPMG had carried out at the Council during the 2016/2017 audit year.

In discussion, reference was made to:-

- (a) the shared services methodology. The Committee acknowledged that it had given its approval to the methodology of the shared services apportionment of costs between the Council and West Devon Borough Council at its meeting on 22 June 2017 (Minute A.6/17 refers). In addition, Members were assured that the methodology for 2017/18 would be presented to a future Committee meeting;
- (b) the Audit Fee. The Committee was advised that the Audit Fee would be retained at £43,404 (excluding VAT) for 2017/18;
- (c) the decision-making processes. The KPMG Manager advised that the focus for any External Auditor was on ensuring that Members were given access to sufficient information to be able to make a decision as opposed to the actual decision taken by Members;
- (d) the Value for Money conclusion. In commending the Council's 'unqualified' conclusion, the KPMG Manager informed that a number of local authorities did not obtain the same positive outcome.

It was then:

RESOLVED

That the content of the Annual Audit Letter and the Closure of the Audit Letter (as outlined in the presented agenda report) be welcomed.

A.28/17

KPMG CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2016/17

The KPMG Manager presented the annual report for the certification work that had been undertaken for 2016/17.

In so doing, the Manager highlighted that this work had not identified any issues or errors and KPMG had certified the claim as being 'unqualified without amendment'. In reply to a question, the Committee was informed that only 25% of local authorities had obtained this result. Members proceeded to pay tribute to this outcome.

It was then:

RESOLVED

That the content of the letter and annual report be endorsed.

A.29/17 UPDATE ON THE APPOINTMENT OF THE EXTERNAL AUDITOR

The Committee considered formal communication that had been sent to the Council's Head of Paid Service and Section 151 Officer that confirmed that Grant Thornton (UK) LLP had been appointed as the Council's External Auditor from 2018/19 to 2022/23.

It was then:

RESOLVED

That the Committee acknowledge that Grant Thornton (UK) LLP has been appointed as the Council's External Auditor from 2018/19 to 2022/23.

A.30/17 UPDATE ON PROGRESS ON THE 2017/18 INTERNAL AUDIT PLAN

The Committee considered a report that informed it of the principal activities and findings of the Council's Internal Audit team for 2017/18 to 31 December 2017 by:

- Showing the progress made by Internal Audit against the 2017/18 annual Internal Audit plan (as approved by the Committee in March 2017);
- Highlighting any revisions to the 2017/18 Internal Audit plan; and
- Providing a further update on the Council's review of its approach to pursuing debtors and the latest available outstanding debt figures.

In discussion, reference was made to:-

- (a) the Strategic Debt Review update. In welcoming the update (Appendix D of the presented agenda report refers), there was a general sense that the recent recommendations had led to service improvements. That being said, the Committee did request a standalone agenda item at its next meeting on 22 March 2018 that particularly highlighted potential measures for further increased service efficiencies. It was also requested that this item should enable for consideration of the merits of imposing interest charges on unpaid commercial debts;
- (b) the management responses. To enable the Committee to monitor progress, the request was made for the latest management response updates to the Audit Findings to be emboldened in future versions of the report;
- (c) some specific queries raised by the Vice-Chairman. In reply to some specific queries related to the Audit Opinion 'fundamental weaknesses' identified, it was agreed that responses would be sent to the Vice-Chairman outside of this meeting. In addition, Members requested that, in the future, a standing agenda item be included whereby updates be given on those areas with an identified 'fundamental weakness';

- (d) the Business Continuity Audit findings. The Committee queried the view that it was considered unnecessary to adopt a Business Continuity Strategy. In reply, officers informed that it was considered more appropriate for service level Business Continuity Plans to be produced. As a further assurance, it was noted that a number of exercises would be carried out to test these Plans and it was also agreed that the outcomes would be shared with interested Members.

It was then:

RESOLVED

That the progress made against the 2017/18 Internal Audit Plan (and any key issues arising) be approved.

A.31/17 TREASURY MANAGEMENT MID-YEAR REVIEW

The Committee considered a report that presented the half-yearly Treasury Management position. In so doing, Members noted that a version of this report was also considered by the Executive at its meeting on 7 December 2017 (Minute E.47/17 refers).

In discussion, reference was made to:-

- (a) a revised Treasury Management Strategy. The Committee noted that it was intended for a revised Strategy to be presented to the Executive meeting on 15 March 2018. It was acknowledged that the current Strategy was particularly risk averse and some Members expressed the view that the Council could be gaining a greater rate of return than it currently was without moving too far away from its approach to risk;
- (b) the current list of prudential indicators. Officers confirmed that Central Government was currently undertaking a review of the list of prudential indicators;
- (c) the CCLA Property Fund. A Member expressed his support for the potential for some funds to be invested in the CCLA Property Fund and looked forward to a report on this matter being presented in the future;
- (d) any potential future local government reviews. In such uncertain times for local government, Members felt there was a need to keep a close watch on any potential structural reviews.

It was then:

RESOLVED

That the contents of the report be endorsed.

A.32/17 **EXCLUSION OF PUBLIC AND PRESS**

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.

A.33/17 **CYBER SECURITY – VERBAL UPDATE**

In response to a Member request, the Senior Specialist – ICT (Information Security) was in attendance to provide an exempt update on the Council's approach to cyber security.

Having received a comprehensive update, the Committee was reassured and very pleased with the work that was being undertaken by officers to protect the Council against potential cyber attacks.

(Meeting commenced at 2.00 pm and finished at 3.30 pm)

Chairman