

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 30 JUNE 2016**

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

Members also in attendance:
Cllrs H D Bastone, D Brown, J P Green, M J Hicks, T R Holway, R J Tucker, L A H Ward and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Business Development – Group Manager, Section 151 Officer, Monitoring Officer, Devon Audit Partnership Manager, KPMG Manager and Senior Specialist – Democratic Services

A.1/16 MINUTES

The minutes of the meeting held on 24 March 2016 were confirmed as a correct record and signed by the Chairman.

A.2/16 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.3/16 KPMG INTERIM AUDIT REPORT 2015/16

A report was presented that summarised the key findings arising from KPMG's interim audit work in relation to the Council's 2015/16 financial statements.

In his introduction, the KPMG Manager advised that the management responses to this report would be presented to the next Committee meeting on 28 July 2016.

In discussion, reference was made to:-

- (a) payroll starter and leaver controls. When questioned, the KPMG Manager informed that, during their review, neither a physical or electronic payroll record could be found in some instances. However, it was acknowledged that this review was undertaken at a spot moment in time during the Transformation Programme and the auditors were content that a number of issues (including this one) had since been addressed;
- (b) the lack of an IT Disaster Recovery exercise having been carried out. A Member emphasised the importance of both having an IT Disaster Recovery Plan and the need for it to be rigorously tested and requested that this be reported back to the next Committee meeting as part of the management responses to this report;
- (c) the Non-Domestic Rates Appeals risk. In emphasising that this was a new risk, the Committee was informed that it had been included in light of a significant appeal that was still outstanding and there being a major cash flow risk associated to this appeal. The Leader proceeded to confirm that he and the lead Executive Member for Support Services continued to be heavily involved in this matter and they both supported the recommended approach that was being taken to this risk.

It was then:

RESOLVED

That the Interim Audit report for 2015/16 be noted.

A.4/16

ANNUAL AUDIT FEE 2016/17 – KPMG REPORT

The Committee considered correspondence from KPMG that confirmed the audit work and fee that the organisation proposed for the 2016/17 financial year.

With regard to the redistribution of the Audit Commission surplus, Members were informed that this was an evolving issue and the KPMG Manager confirmed that he would ensure that the Committee was kept updated on this matter.

It was then:

RESOLVED

That the Annual Audit Fee be noted.

A.5/16 LOCAL AUTHORITY CORPORATE RISK REGISTER – KPMG REPORT

Members considered an information report that advised the Committee of the most frequently featured risks across local authority risk registers and the key changes from 2014 when a similar exercise was carried out.

It was then:

RESOLVED

That the report be noted.

A.6/16 ANNUAL GOVERNANCE STATEMENT 2015/16

The Committee considered a report that presented the draft Annual Governance Statement (AGS) for 2015/16. The report stated that the purpose of the AGS was to provide evidence of a continuous review of the Council's internal control and risk management process, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

In discussion, reference was made to:-

- (a) the establishment of the Statutory Officer Group (SOG). It was noted that the Council had established a SOG comprising of the Head of Paid Service, the Monitoring Officer, and the Section 151 Officer. The Group met quarterly and its primary functions were to draft the Annual Governance Statement and to review all aspects of the Council's approach to Strategic Risk Management and its Internal Controls;
- (b) inclusion of a summary of the findings from KPMG. The Committee agreed that the Section 151 Officer should be given delegated authority to include a summary of these findings before the Statement was then signed off by the Leader of Council and the Head of Paid Service;
- (c) the role of Members in providing the strategic direction of the Council. Members requested that the role of Members be included in the Scope of Responsibility section of the Statement. Taking this point a step further, a Member was of the view that the effective measuring of strategic direction was generally an area of weakness for the Council.

It was then:

RESOLVED

1. That the processes adopted for the production of the 2015/16 Annual Governance Statement be noted;
2. That the adequacy and effectiveness of the system of internal audit be endorsed; and

3. That Members have considered the draft Annual Governance Statement for 2015/16 and the supporting evidence provided in the presented agenda report and approve it for the signature of the Leader of Council and the Head of Paid Service, subject to delegated authority being given to the Section 151 Officer to include a summary of the findings from KPMG.

A.7/16

UPDATE ON ANTI-FRAUD, CORRUPTION AND BRIBERY POLICY AND STRATEGY, ANTI-MONEY LAUNDERING POLICY AND CONFIDENTIAL REPORTING POLICY

Members considered a report that presented a number of policies and documents and recommended their adoption to the full Council. These policies and documents were as follows:-

- The Anti-fraud, Corruption and Bribery Policy and Strategy;
- The Anti-fraud, Corruption and Bribery Response Plan;
- The Anti-Money Laundering Policy Procedures and Guidance for Staff;
- The Anti-Money Laundering Policy;
- The Confidential Reporting Policy; and
- The Confidential Reporting Policy Frequently Asked Questions.

In discussion, the following points were raised:-

- (a) During future reviews, it was agreed that the proposed changes made to these policies would be specifically highlighted. In addition, Members advised that they would welcome these policies being produced in a more reader friendly format (e.g. through the use of graphics and different typefaces);
- (b) In response to a request, the Monitoring Officer confirmed that she would check that, in the case of agency staff, references were taken by the agency to establish the honesty and integrity of the employee. As a further assurance, the Monitoring Officer confirmed that she would report back on this specific point to Committee Members;
- (c) Specifically regarding the Benefit Fraud Prosecution and Sanction Policy, the Committee recognised that, in certain instances, it may be more appropriate to issue a formal Local Authority caution rather than to prosecute. By ensuring that the Policy was sufficiently flexible (and not overly prescriptive), should guarantee that an instance of fraud, that was simply an oversight, would be handled appropriately.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** that the following reviewed policies and documents be adopted:

1. The Anti-fraud, Corruption and Bribery Policy (as outlined at Appendix A of the presented agenda report);
2. The Anti-fraud, Corruption and Bribery Response Plan (as outlined at Appendix B of the presented agenda report);
3. The Anti-Money Laundering Policy Procedures and Guidance for Staff (as outlined at Appendix C of the presented agenda report);
4. The Anti-Money Laundering Policy (as outlined at Appendix D of the presented agenda report);
5. The Confidential Reporting Policy (as outlined at Appendix E of the presented agenda report); and
6. The Confidential Reporting Policy Frequently Asked Questions (as outlined at Appendix F of the presented agenda report).

A.8/16

INTERNAL AUDIT ANNUAL REPORT 2015/16

The Committee considered a report that summarised the work undertaken by the Council's Internal Audit team during 2015/16. In addition, the report sought to review the performance of the Internal Audit service and to provide an audit opinion on the adequacy of internal control.

In discussion, reference was made to:-

- (a) deferral of the Development Control (Enforcement) audit. Officers advised that the decision to defer this audit had been taken in light of the Development Management Service Peer Review which had been undertaken. It had since been agreed that this audit would commence towards the end of Quarter 3 of 2016/17;
- (b) the audit opinion on the T18 Transformation Programme. A Member expressed his reservations on the Audit conclusions on the Programme. In response, the Internal Audit Manager advised that the Audit Committee had asked for the scope of this audit to be concentrated on the employment of iESE, how and why the organisation had been engaged and had due process been followed. For absolute clarity, the Audit Manager advised that this audit had not looked at the delivery of individual service areas;

- (c) the 50 days audit work on the Greater Dartmoor Local Enterprise Action Fund and the South Devon Coastal Local Action Group Grants. Officers confirmed that all costs were recovered and the Council was required to undertake this work in its capacity as the 'accountable body'. Furthermore, the Committee was reminded that the Council had resolved to make its grave concerns over the administrative burdens associated with the current decision-making process known to the District Councils Network (Minute 71/15(a) refers);
- (d) the waste service. As a general point, a Member highlighted her concerns at the significant current budgetary pressures which were related to the waste service. In response, the Leader confirmed that these concerns were recognised and the lead Executive Member for Commercial Services was closely monitoring this apparent upward trend in expenditure arising from the waste service;
- (e) recording of staff time allocations. Officers advised that a Civica software solution was to be integrated that would ensure that real time accounting of staff time between the Council and West Devon Borough Council would be accurately apportioned. In welcoming this news, the Section 151 Officer advised that this would save an extensive amount of officer time that was currently expended making the required adjustments through the accounting process.

It was then:

RESOLVED

1. That it be noted that overall and based upon work performed during 2015/16, and that of our experience from previous year's audits, the Head of Internal Audit's Opinion is of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework; and
2. That the satisfactory performance and achievements of the Internal Audit Team during 2015/16 report be noted.

(Meeting commenced at 10.00 am and finished at 11.40 am)

Chairman