

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 22 MARCH 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 H D Bastone 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); Group Manager (Business Development); Finance Community Of Practice Lead; Case Management Manager; Internal Audit Manager; Senior Benefit Specialist; KPMG Director; Senior Specialist – Democratic Services; and Specialist – Democratic Services

A.34/17 MINUTES

The minutes of the meeting held on 25 January 2018 were confirmed as a correct record and signed by the Chairman.

A.35/17 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.36/17 KPMG EXTERNAL AUDIT PLAN 2017/18

The Committee considered a report from KPMG that presented its External Audit Plan for the Council for 2017/18.

During his introduction, the KPMG Director acknowledged that some of the font was not easily readable and confirmed that the background colours of the document would be altered for future reports.

It was then:

RESOLVED

That the External Audit Plan be noted.

A.37/17 KPMG ANNUAL AUDIT FEE 2017/18 (ADDENDUM – CONFIRMATION OF CERTIFICATION FEES)

The KPMG Director presented the Addendum that confirmed the proposed Fee being recommended for the certification of the Housing Benefit grant claim for the 2017/18 Financial Year at the Council.

It was then:

RESOLVED

That the contents of the Addendum be noted.

A.38/17 KPMG INTERNAL AUDIT 2017/18 – PROGRESS UPDATE

The Committee was presented with a progress update from KPMG that confirmed that the organisation had completed its planning and interim audit work in line with the timetable set out in its detailed External Audit Plan 2017-18 dated January 2018.

In discussion, reference was made to:-

- (a) the risks in relation to faster closedown of the financial year end process. Having attended a number of team meetings, the lead Executive Member for Support Services expressed his confidence that the required faster closedown would be achieved;
- (b) the reconciliation of National Non-Domestic Rates cash and refunds to the General Ledger. The KPMG Director confirmed that the organisation was satisfied that the Council now had adequate processes in place to ensure that items would be reconciled before year end.

It was then:

RESOLVED

That the Committee note the contents of the progress update.

A.39/17 2018/19 TREASURY MANAGEMENT STRATEGY

The Committee considered a report that sought to recommend that the Council approve the proposed Treasury Management and Investment Strategies together with their associated prudential indicators.

In his introduction, the lead Executive Member for Support Services informed that he had asked that the draft Strategy be presented to this

Committee meeting prior to its consideration at the Special Council meeting on 29 March 2018. Furthermore, the Committee was reminded that the draft Strategy had also been considered by the Executive at its meeting on 15 March 2018 (Minute E.72/18 refers).

In discussion, reference was made to:-

- (a) external investment advice. A Member expressed his surprise and disappointment that the external investment advice obtained had not been put in writing. In reply, the Section 151 Officer informed that Link Asset Services (the Council's External Treasury Management advisors) would only highlight to the Council the range of products that were available and would then leave it to the Council to make the final decision on Treasury Management matters;
- (b) the proposal to invest £1.5 million in CCLA. With regard to recommendation 5, it was confirmed that the intention would be to invest these monies in one lump sum since there was no benefit in investing this money in instalments;
- (c) the Icelandic Bank Investments. Since the investment position had been stable for a number of years and 98% had already been repaid to the Council, the Committee requested that this paragraph now be removed from future reports. However, should the position change in this respect, then the Committee was also of the view that a short sentence should be added to the next report thereafter;
- (d) the risks associated with investing £1.5 million in CCLA Funds. A Member highlighted those risks outlined in Appendix D of the presented agenda report and he considered these to be a cause for concern. In reply, officers stated that they had spoken to a number of other local authorities who had invested in CCLA Funds and were satisfied that they had undertaken as much due diligence as was practically possible. Nonetheless, the Member advised that his concerns were such that he would be unable to support the report recommendations. The remaining Committee Members did recognise that there were associated risks, but did not feel them to be so significant that they could not support the recommendations and an addition was **PROPOSED** and **SECONDED** to recommendation 5 as follows:

'That the Committee support the proposal to invest £500,000 into CCLA Local Authority Property Fund (LAPF) and £1 million into the CCLA Diversified Income Fund (as per Appendix H of the presented agenda report). Nevertheless, the Committee does acknowledge that this proposal is not without risk.

When put to the vote, this addition was declared **CARRIED**.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** to approve:

1. the prudential indicators and limits for 2018/19 to 2020/21 (as outlined within Appendix A of the presented agenda report);
2. the Minimum Revenue Position (MRP) statement contained within Appendix A of the presented agenda report (NB. This sets out the Council's Policy on MRP);
3. the Treasury Management Strategy 2018/19 and the treasury prudential indicators 2018/19 to 2020/21 (as outlined within Appendix B of the presented agenda report);
4. the Investment Strategy 2018/19 (as outlined at Appendix C of the presented agenda report) and the detailed criteria included in Appendix D of the presented agenda report and the counter party list (as detailed at Appendix E of the presented agenda report); and
5. the proposal to invest £500,000 into CCLA Local Authority Property Fund (LAPF) and £1 million into the CCLA Diversified Income Fund (as per Appendix H of the presented agenda report). Nevertheless, the Committee does acknowledge that this proposal is not without risk.

(NOTE: in accordance with Council Procedure Rule 15.6: '*Right to Require Individual Vote to be recorded*', Cllr J T Pennington asked for his vote against this recommendation to be formally recorded).

A.40/17

BUDGET BOOK 2018/19

The Committee considered a report that presented the contents of the draft Budget Book for 2018/19.

In discussion, the following points were raised:-

- (a) Whilst acknowledging that the format of the draft Budget Book had reflected the outcome of a Member Review Group, a Member was nonetheless still of the view that it did not contain a sufficient amount of detail;
- (b) The Committee commended the work of those officers in the Finance Community Of Practice who had delivered the draft Budget Book two months' earlier than in previous years;
- (c) In the future, it was requested that the Budget Book should include the name of the lead Executive Member in addition to the name of the officer Budget holder.

It was then:

RESOLVED

That the contents of the Budget Book for 2018/19 be noted.

A.41/17

SHARED SERVICES METHODOLOGY 2017/18

The Committee considered the annual report that set out the methodology and mechanisms that were being used to calculate the cost allocations between the Council and West Devon Borough Council.

In discussion, the Committee felt the report to be a very strong reference document that could be used as the basis for the upcoming review to be undertaken by KPMG.

It was then:

RESOLVED

That the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council (as outlined at Appendix A of the presented agenda report) be noted.

A.42/17

SUNDRY DEBT

The Committee considered a report that informed Members of the process adopted by the Council to recover outstanding Sundry Debt. Furthermore, the report also sought to provide an update on the position of Sundry Debt Recovery since the creation of the Debt Recovery Unit on 1 October 2017.

In discussion, the Committee congratulated the Case Management Manager for the excellent work being undertaken in this respect and emphasised the importance of the Debt Recovery Unit maintaining the momentum that it had now gained.

Such was felt to be the importance of this issue, that an addition to the recommendation was **PROPOSED** and **SECONDED** whereby the Committee be in receipt of a further review in six months' time. When put to the vote, this addition was declared **CARRIED**.

It was then:

RESOLVED

1. That the progress made in monitoring and administering Sundry Debt Collection be noted; and
2. That the Committee receive a further update report in six months' time.

A.43/17 HOUSING BENEFIT OVERPAYMENT PROCESS AND RECOVERY

A report was considered that sought to explain how Housing Benefit overpayments arose and the processes undertaken to recover the debts before they were presented for formal Write-Off. The report also outlined the subsequent financial impact on the Council.

During discussion, the following points were raised:-

- (a) Officers assured the Committee that the Council did still pursue those debts that had been subject of formal Write-Off;
- (b) When questioned, officers advised that the Council made very few 'official errors' that resulted in Housing Benefit overpayments being unrecoverable;
- (c) It was acknowledged that Housing Benefit was an incredibly difficult and complex subject matter that involved significant sums of money.

In conclusion, the Committee thanked the Senior Benefit Specialist for her report and requested a further progress update at an appropriate time in the future.

It was then:

RESOLVED

1. That the processes outlining how a Housing Benefit overpayment arises be noted;
2. That the steps being taken to recover overpayments be noted; and
3. That the current Housing Benefit overpayment recovery performance be noted.

A.44/17 2018/19 INTERNAL AUDIT PLAN

A report was considered that provided Members with the opportunity to review and comment upon the proposed Internal Audit Plan for 2018/19.

In discussion, the following points were raised:-

- (a) The Committee noted that one of the Council's Internal Audit Officers had recently suffered a serious accident and Members proceeded to ask that their best wishes be passed on for a speedy recovery. The Internal Audit Manager advised Members that the Devon Audit Partnership was currently looking at methods of potentially backfilling the service during this period of absence;

- (b) As a living document, it was confirmed that the Plan was constantly under review and updated, revised and amended if deemed appropriate;
- (c) The Committee was informed that the Plan was due to be credited by 15-20 days in light of the work undertaken on the LEAF and LAG Grants;

It was then:

RESOLVED

1. That the report be approved; and
2. That the proposed Internal Audit Plan for 2018/19 (as outlined at Appendix A of the presented agenda report) be approved.

A.45/17

STRATEGIC RISK ASSESSMENT – REGULAR UPDATE

The Committee considered a report that presented an updated assessment of the Council's strategic risks.

In discussion, reference was made to:-

- (a) the risk associated with the delivery of the Local Plan. Following its previously raised concerns, the Committee welcomed the increased risk score applied to the delivery of the Local Plan;
- (b) the merits of including an additional risk related to investments and income generation. Whilst the report currently included this risk under the wider umbrella of the Medium Term Financial Strategy, the Committee asked that the Senior Leadership Team give consideration to the merits of 'investments and income generation' being allocated its own standalone Risk Title.

It was then:

RESOLVED

1. That the Committee has reviewed the strategic risks and has made comments (as detailed in the minutes above); and
2. That the Senior Leadership Team give consideration to the merits of 'investments and income generation' being allocated its own standalone Risk Title.

A.46/17

GENERAL DATA PROTECTION REGULATION – READINESS AND IMPACT

A report was considered that provided an overview of the key arrangements of the General Data Protection Regulation (GDPR). In addition, the report also outlined the approach that the Council was implementing in order to achieve compliance and the tasks that lay ahead.

In discussion, reference was made to:-

- (a) a future Member Briefing. The Committee was reminded that a Member Briefing on the GDPR had been arranged to be held on 29 March 2018;
- (b) minimising the amount of information held. In addition to minimising the amount held, officers also stated that all Members would need to bear in mind that, as soon as there was no longer a need to hold on to information, then that material should be disposed of by appropriate means.

It was then:

RESOLVED

That the impact be noted and the approach to General Data Protection Regulation readiness ahead of its implementation in May 2018 be supported.

A.47/17

ANNUAL REVIEW OF THE COUNCIL CONSTITUTION

The Committee considered a report that presented the annual review of the Council Constitution.

Members felt that they needed more time to consider the contents of the review before the document was presented for approval to the Annual Council meeting on 17 May 2018 and it was therefore **PROPOSED** and **SECONDED** that:

'An informal Committee Workshop be convened in advance of the Annual Council meeting on 17 May 2018 to enable for more detailed consideration of the annual review of the Council Constitution.'

When put to the vote, this proposal was declared **CARRIED**.

It was then:

RESOLVED

That an informal Committee Workshop be convened in advance of the Annual Council meeting on 17 May 2018 to enable for more detailed consideration of the annual review of the Council Constitution.

(Meeting commenced at 2.00 pm and finished at 3.50 pm)

Chairman