

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 11 OCTOBER 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, M J Hicks, P W Hitchins, N A Hopwood, E D Huntley, K R H Wingate and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Head of Paid Service; Section 151 Officer; Group Manager – Business Development; Community Of Practice Lead – Environment Services; Senior Specialist – Accountant; Internal Audit Manager; and Senior Specialist – Democratic Services
5	A.24/18	Devon County Council Assistant County Treasurer
12	A.31/18	Case Management Manager

A.21/18 MINUTES

The minutes of the meeting of the Committee held on 6 September 2018 were confirmed as a correct record and signed by the Chairman.

A.22/18 URGENT BUSINESS

The Chairman advised that she had no urgent items to be raised at this meeting.

A.23/18 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.24/18

PRESENTATION ON THE PENSION FUND ADMINISTERED BY DEVON COUNTY COUNCIL

The Devon County Council Assistant County Treasurer was in attendance to provide a presentation to Members on the Pension Fund.

In so doing, the presentation provided the following overview:-

- Devon County Council was the Administering Authority of the Fund and delegated management of the Fund to the Investment & Pension Fund Committee;
- As at 31 March 2018, the total size of the Fund equated to £4.086 billion;
- Over 200 employers paid into the Fund;
- The Pension Scheme had over 100,000 members comprising contributors, pensioners and deferred pensioners;
- Funds were invested by external investment managers into equities, bonds etc; and
- An actuarial review of the Fund took place every three years to determine the funding level.

Looking ahead, the presentation also concluded that:

- the Pension Fund had a long-term horizon over which to invest;
- investments needed to be managed to meet liabilities over the long-term;
- negative cashflow (contributions less benefits) needed to be factored into the Investment Strategy;
- the Fund needed to adapt to a changing world;
- investments would be pooled with other Local Government Pension Scheme Funds from April 2018; and
- long-term performance remained the overriding objective.

The Chairman invited questions on the content of the presentation and particular reference was made to:-

- (a) the Council's funding position in comparison to other local authorities in the county. The Assistant County Treasurer informed that the Council's position was well above the average. As a result, the Council's deficit contributions were much lower than the majority of other local authorities in Devon;
- (b) the overriding objective of the Fund. It was confirmed that the policy that was applied to the Fund was to ensure that the best financial return was obtained on investments, irrespective of factors such as ethical issues;
- (c) the implications of Brexit. Whilst acknowledging that it could be a risk, the Assistant County Treasurer informed that the impact of Brexit on the next actuarial valuation in 2019 was unknown.

In conclusion, the Chairman thanked the officer for his informative presentation and it was agreed that a copy of the presentation slides would be circulated to the wider membership for their information and retention.

A.25/18 KPMG ANNUAL AUDIT LETTER 2017/18

The Committee considered the KPMG Annual Audit Letter that summarised the outcome from their audit work that was carried out at the Council in relation to the 2017/18 audit year.

With no discussion taking place, it was then:

RESOLVED

That the contents of the Annual Audit Letter for 2017/18 be noted.

A.26/18 KPMG AUDIT CLOSURE LETTER 2017/18

Members were presented with a letter from KPMG that confirmed that the audit of the Council's accounts for the year ending 31 March 2018 had been completed.

The Committee acknowledged the findings of the auditor that had issued an excellent unqualified report and congratulated the Section 151 Officer and the Finance Community Of Practice accordingly.

It was then:

RESOLVED

That the contents of the Audit Closure Letter for 2017/18 be noted.

A.27/18 GRANT THORNTON – AUDIT PROGRESS REPORT AND SECTOR UPDATE

A paper was considered that provided the Committee with a progress report from Grant Thornton on delivery of their responsibilities. In addition, the paper also included:

- a summary of emerging national issues and developments that may be relevant to the Council; and
- a number of challenge questions in respect of those emerging issues that the Committee may wish to consider.

During the ensuing discussion, the following points were raised:-

- (a) Whilst Grant Thornton had only recently commenced in their role, the representatives confirmed that they were in constant ongoing dialogue with the Head of Paid Service and the Section 151 Officer to ensure that they were up to speed with the workings of the Council;
- (b) At the request of the Committee, the representatives confirmed that, as part of their Value for Money and Medium Term Financial Planning work, they would review the Business Plan and the processes that had been followed by the Council in recently adopting the Commercial Property Strategy;
- (c) It was noted that Grant Thornton had published a number of documents in relation to their views on the establishment (and best practice) of local government companies in the emerging world and it was agreed that links to these reports would be circulated to Members outside of this meeting;
- (d) Members also highlighted the current waste procurement project and, whilst acknowledging the input of Internal Audit, the request was made for the added assurance whereby Grant Thornton representatives also reviewed the processes, advice and assumptions that underpinned the project. In so doing, the Committee asked that the representatives undertake this piece of work in advance of the Council meeting on 6 December 2018.

It was then:

RESOLVED

That the contents of the Progress Report and Sector Update be noted.

A.28/18 GRANT THORNTON FEE LETTER

The Committee was presented with a letter from Grant Thornton that outlined the planned audit fee for 2018/19.

In so doing, the Committee welcomed the sizeable reduction in audit fee in comparison to the 2017/18 Financial Year. At this point, the Section 151 Officer did point out that this fee did not include the Housing Benefit Subsidy Claim work which would be subject to a separate Audit.

It was then:

RESOLVED

That the contents of the Grant Thornton Fee Letter for 2018/19 be noted.

A.29/18 UPDATE ON PROGRESS ON THE 2018/19 INTERNAL AUDIT PLAN

Members were presented with a report that sought to inform them of the principal activities and findings of the Council's Internal Audit Team for 2018/19 to 14 September 2018 by:-

- Illustrating the progress made by Internal Audit against the 2018/19 annual Internal Audit Plan (as approved by the Committee in March 2018); and
- Highlighting any revisions to the 2018/19 Internal Audit Plan.

In discussion, particular reference was made to:-

- (a) the omissions in Appendix A of the presented agenda report were highlighted;
- (b) the Beach and Water Safety audit findings. It was confirmed that discussions were ongoing with the Harbour Master in an attempt to resolve the matter highlighted;
- (c) the LEAF and LAG Audit work. Concerns were again raised over the extent of the bureaucracy involved in auditing the LEAF and LAG Grant funds;
- (d) the Performance Management audit. As had also been raised on a number of occasions by the Overview and Scrutiny Panel, some Members highlighted the difficulties they experienced in accessing the Council's Performance Indicators via the covalent software system.

It was then:

RESOLVED

That the progress made against the 2018/19 Internal Audit Plan (and any key issues arising) be approved.

A.30/18 INTERNAL AUDIT CHARTER AND STRATEGY 2018/19

The Committee considered a report that sought to review (and recommend approval) of the Internal Audit Charter and Strategy for 2018/19.

In debate, it was recognised that only minimal changes to the Charter and Strategy were being proposed.

It was then:

RESOLVED

That the Internal Audit Charter and Strategy for 2018/19 be approved.

A.31/18 SUNDRY DEBT

Members were presented with a report that provided an update on the progress made in monitoring and administering the recovery of Sundry Debt.

In debate, the following points were raised:-

- (a) In making the point that Council Tax and Business Rates were separate to Sundry Debt, the Committee felt that an overview of all Council debt would be of interest to Members;
- (b) Members were advised that the increase in Housing Benefits overpayments was largely attributed to the introduction of Universal Credit;
- (c) With regard to Section 106 deposits, officers confirmed that they were no outstanding invoices at this moment;
- (d) Members were informed that there was a sizeable amount of debt that was related to the Assets Community Of Practice (COP) (e.g. commercial property rent). In reply, the Committee was assured that the Senior Leadership Team had recently requested that the Assets COP present a revised set of Performance Indicators (e.g. number of vacant properties, unit turnaround and debt levels) and report on these more frequently. Officers gave a commitment to share this information with Committee Members.

It was then:

RESOLVED

That the progress made in monitoring and administering the recovery of Sundry Debt be noted.

A.32/18 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 the inclusion of the West Devon financial position. In light of its previous request, the Committee welcomed inclusion of this risk in the Corporate Risk Report but did retain its previously raised view that there was an apparent lack of Contingency Planning in the event of West Devon Borough Council (WDBC) failing to fulfil its financial obligations.

Whilst assurances were given that the Senior Leadership Team was closely monitoring this risk, a Member did make the point that the scores allocated in the Register did not reflect the information that was being relayed during the One Council consultation exercise twelve months ago.

It was then:

RESOLVED

1. That the Committee has reviewed the strategic risks and has made comments (as detailed in the minutes above);
2. That Council be **RECOMMENDED** to adopt the updated Risk and Opportunity Management Strategy (as outlined in Appendix 3 of the presented agenda report); and
3. That Council be **RECOMMENDED** to rescind the Joint Risk Management Policy 2012 and the Joint Risk Management Strategy 2013.

A.33/18 **AUDIT COMMITTEE DRAFT WORK PROGRAMME**

In considering its draft Work Programme, the Committee agreed that:

- A standing agenda item entitled: 'Grant Thornton Update Report' be added to each meeting date; and
- The Review of the Council Constitution be brought forward to the Committee meeting on 31 January 2019.

(Meeting commenced at 10.05 am and finished at 12.05 pm)

Chairman