

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 22 SEPTEMBER 2016**

<b>Members in attendance</b> * 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		

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

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Executive Director (Service Delivery and Commercial Development); Group Manager – Business Development; Section 151 Officer, Specialist (Accountant Business Partner) and Senior Specialist – Democratic Services
5	A.18/16	KPMG Director and KPMG Manager

**A.16/16 MINUTES**

The minutes of the meeting held on 28 July 2016 were confirmed as a correct record and signed by the Chairman.

**A.17/16 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.18/16 REPORT OF KPMG – EXTERNAL AUDIT REPORT 2015/16**

In presenting the report, the KPMG representatives informed that the headline messages were both positive. Firstly, the organisation had issued an unqualified audit opinion on the Council's financial statements following approval of the Statement of Accounts.

Secondly, it was noted that KPMG was intending to issue a value for money assessment that concluded that the Council had made proper arrangements to ensure that it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local residents.

In the subsequent discussion, particular reference was made to:-

- (a) the value for money risk relating to the delivery of the Transformation Programme. Having undertaken an assessment of the Transformation Programme, the KPMG representatives confirmed their conclusions whereby the Council had sound arrangements in place to meet its budget gap;
- (b) the forecasted budget surplus for 2016/17. Whilst accepting that the report sought acknowledgement of the budget position in 2015/16, some Members made reference to the Council decision to increase resources in planning enforcement being taken during that year (minute 65/15 refers) and concluded that the report was somewhat selective in certain areas.

In response, the KPMG representatives informed that the organisation would not take a view on such political decisions and there was a recognition that, on occasion, there would be a need for flexibility in Council budgets;

- (c) the positive nature of the report. The KPMG representatives emphasised that the report was a good news story for the Council and presented the authority with a clean bill of health. In acknowledging this view, the Committee wished to put on record its gratitude for the work undertaken by the Section 151 Officer and the rest of the Finance Community Of Practice in these challenging times;

It was then:

### **RESOLVED**

That the External Audit Report 2015/16 be noted.

## **A.19/16 ANNUAL STATEMENT OF ACCOUNTS 2015/16**

Consideration was given to a report that presented a summary of net revenue and capital expenditure. Furthermore, the report also sought approval of the audited Statement of Accounts for 2015/16.

In introducing the report, the lead Executive Member for Support Services wished to pay tribute to the Specialist (Accountant Business Partner) for her hard work in producing the annual Statement of Accounts.

In discussion, reference was made to:-

- (a) the reduction in projected income generated from letting space at Follaton House. In response to a request, officers agreed to find out how much letting space remained for potential tenants to move in to Follaton House;
- (b) pension liability. Officers advised that the triennial pension valuation

results would be known before the end of the year. As a provision, the Council had set aside an additional £150,000 to offset any consequent impact;

- (c) the planning enforcement backlog of cases. When questioned, officers confirmed that the additional resources in planning enforcement were having a noticeable impact and the function was on track to eliminate the backlog before the end of the year;
- (d) the variations in capital grants from the Environment Agency (EA). The Committee was advised that the EA had granted considerably more money in 2014/15 than in 2015/16, as a consequence of there being far more instances of flooding during 2014/15;

(NOTE: during discussion point (e) below, the Section 151 Officer left the meeting room).

- (e) the Section 151 Officer not being a member of the Council's Senior Leadership Team (SLT). A Member reiterated his previously raised view whereby the Section 151 Officer should be a member of SLT. In response, it was noted that this matter had been debated and discussed with the Council's External Auditors prior to this operational decision being taken and the arrangements were deemed acceptable at that time. In light of the Member continuing to express his concerns, it was agreed that he should discuss this issue further with the Leader and Chairman of Council outside of this meeting. As a general point, those Members in attendance wished to put on record their gratitude for the work undertaken by the Section 151 Officer, who it was felt did a fantastic job and was respected by all Members of the Council;
- (f) the remuneration paid to the Authority's senior employees. When questioned, officers advised that only those senior employees that were actually employed by the Council were listed in the presented table. Since some senior employees were employed by West Devon Borough Council, these were not illustrated in the table at Section 3 of the presented accounts, but were instead referred to in a note to the Table.

It was then:

### **RESOLVED**

1. That the wording of the Letter of Representation (as outlined at Appendix A of the presented agenda report) be approved; and
2. That the audited Statement of Accounts for the financial year ended 31 March 2016 (as outlined at Appendix B of the presented agenda report) be approved.

A.20/16

**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 risks associated with the Local Authority Controlled Company (LACC). A Member was of the view that there were far too many identified risks that were associated with the LACC and he therefore **PROPOSED** the following:

*'That the Committee does not support the setting up of a LACC by the Council.'*

In discussion, some Members expressed a great deal of sympathy with the proposal, but did also recognise that the Council had appointed a Joint Steering Group (JSG), which would be working its way through the risk register. Furthermore, assurances were given that in the event of the JSG concluding that any of the 'red lines' (issues relating to pensions, taxation and governance) were unresolvable, then the project work would be stopped immediately. The overriding view amongst the Committee was that the proposal was somewhat pre-emptive and the JSG should be allowed to complete its review. Therefore, the proposal was not seconded.

However, some Members did reiterate their sympathy with the proposal and an alternative was **PROPOSED** and **SECONDED** as follows:

- '1. That, at the moment, the Committee does not support the setting up of a LACC by the Council;*
- 2. That all Members be sent copies of the published report and the supporting appendices that underpin this agenda item. In addition, that all Members be sent a copy of the full (exempt) version of the Zurich Municipal LACC Risk Diagnostic report;*
- 3. That a progress update on the risk related work undertaken to date by the JSG be distributed to all Members; and*
- 4. That, as part of ongoing Member Briefings on the LACC, a specific session relating to the LACC risk register be scheduled.*

When put to the vote, these proposals were declared **CARRIED**.

- (b) the scores aligned to the risk report. Whilst the view was expressed that some of the ratings related to the LACC were questionable, it was agreed that the score aligned to the 'encouraging communities to thrive' risk was too high and should be reduced.

It was then:

**RESOLVED**

1. That the Committee has reviewed the strategic risk assessment;
2. That, at the moment, the Committee does not support the setting up of a LACC by the Council;
3. That all Members be sent copies of the published report and the supporting appendices that underpin this agenda item. In addition, that all Members be sent a copy of the full (exempt) version of the Zurich Municipal LACC Risk Diagnostic report;
4. That a progress update on the risk related work undertaken to date by the JSG be distributed to all Members;
5. That, as part of ongoing Member Briefings on the LACC, a specific session relating to the LACC risk register be scheduled; and
6. That the score aligned to the 'encouraging communities to thrive' risk is too high and should be reduced.

A.21/16

**UPDATE ON PROGRESS ON THE 2016/17 INTERNAL AUDIT PLAN**

A report was considered that informed Members of the principal activities and findings of the Council's Internal Audit team for 2016/17 to 25 August 2016 by:

- showing the progress made by Internal Audit against the 2016/17 annual internal audit plan, as approved by the Committee on 24 March 2016 (Minute A.38/15 refers); and
- highlighting revisions to the 2016/17 internal audit plan.

Having been advised of the impact on the Plan that had been caused by an incident of staff sickness in the Internal Audit Team, the Committee requested that its wishes for a speedy recovery be passed on to the affected individual.

It was then:

**RESOLVED**

That the progress made against the 2016/17 internal audit plan, and any key issues arising, be noted.

A.22/16 **INTERNAL AUDIT CHARTER AND STRATEGY 2016/17**

The Committee considered a report that allowed Members to review and comment upon the Internal Audit Charter and Strategy for 2016/17.

During discussion, Members felt that, in the future, it would be helpful for the revisions and amendments that were being recommended to be highlighted.

It was then:

**RESOLVED**

That the Committee has reviewed and approved the Internal Audit Charter and Strategy 2016/17.

(Meeting commenced at 2.00 pm and finished at 3.10 pm)

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Chairman