

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 24 SEPTEMBER 2015**

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

Members also in attendance:	
Cllrs H D Bastone, 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		Executive Director (Service Delivery and Commercial Development); Group Manager – Support Services, S151 Officer, Grant Thornton Representatives, Devon Audit Partnership Manager, Senior Specialist – Democratic Services and Finance Business Partner
5	A.16/15	Assistant County Treasurer, Investments and Treasury Management – Devon County Council

A.14/15 MINUTES

The minutes of the meeting held on 30 July 2015 were confirmed as a correct record and signed by the Chairman.

A.15/15 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.16/15 PRESENTATION FROM MARK GAYLER (ASSISTANT COUNTY TREASURER, INVESTMENTS AND TREASURY MANAGEMENT) OF DEVON COUNTY COUNCIL ON THE PENSION FUND

The Committee received a presentation from Mr Mark Gayler (Assistant County Treasurer, Investments and Treasury Management) of Devon County Council on the Devon Pension Fund Investments and Risk.

The presentation concluded by looking to the future and made reference to:

- The Pension Fund having a long term horizon over which to invest;
- A need to invest in return seeking assets to reduce deficit position;
- The Fund needing to adapt to a changing world and increasing volatility of markets;
- Negative cashflow (contributions less benefits) needing to be factored into investment strategy for future years;
- Greater emphasis on cost savings (proposals for pooled investments / greater collaboration); and
- Long term performance still being the overriding objective.

In discussion, reference was made to:-

- (a) the Deficit Recovery Position. The Committee was advised that the County Council was more than happy to open up dialogue with the Council if it wished to consider reducing its deficit recovery period (which currently stood at 27 years (the Devon Pension Fund average was 25 years));
- (b) the increase in net pension liability from £32,704 million (at 1 April 2014) to £46,671 million (at 31 March 2015). Whilst acknowledging that this was attributed to a change in actuarial assumptions in 2014/15, Members still wished to express their concern at the substantial increase in total liability. The reduction in the discount rate from 4.4% to 3.3% was the main reason for the increase in the net pension liability and Mr Gayler explained that the discount rate fluctuated on a daily basis and a snapshot was taken on 31 March each year. In response, Mr Gayler informed that the actuary would look in a much more holistic way at this issue during its next actuarial review;
- (c) the Council decision to invest £17 million in its pension fund in 2003. Mr Gayler reassured the Committee that this had been a good decision and had resulted in the Council paying considerably less in its annual contribution rates;
- (d) the impact of the Transformation Programme. Throughout the Programme, the S151 Officer confirmed that the actuary was kept fully informed of the impact on the pension fund and, as a consequence, the Council had accurately predicted the strain of all employees over the age of 55 leaving the authority and had budgeted accordingly. In the ensuing general discussion, Mr Gayler confirmed that he would let officers know the cost of seeking actuary opinion on the merits of making a future capital payment. In addition, the Committee acknowledged that the age profile of the organisation was now significantly lower and this would also have an impact;

- (e) the performance of the Fund. In comparison to other Funds, Mr Gayler informed that the Devon County Council Pension Fund had not performed as well in recent years. However, with the government direction of travel appearing to be to pool pension funds across the South West region, then there was not felt to be any value in changing investment managers at this time.

In conclusion, the Chairman thanked Mr Gayler for his informative presentation and interesting responses to Committee questions.

A.17/15 **ANNUAL GOVERNANCE STATEMENT 2014/15**

The Committee considered a report that informed that no changes were required to the Annual Governance Statement (AGS) from the version that was considered and approved at the July 2015 Audit Committee meeting (Minute A.10/15 refers).

In discussion, reference was made to:-

- (a) the identified issue in relation to Land Charges. In light of legal advice, it was noted that reference to the settlement figures had been removed from the Code of Corporate Governance;
- (b) the role of the S151 Officer at meetings of the Senior Leadership Team (SLT). The Committee was advised that the S151 Officer had access to the weekly SLT agenda and also had an open invitation to attend SLT meetings.

It was then:

RESOLVED

That it be noted that no changes were required to the Annual Governance Statement 2014/15 from the version considered and approved at the July 2015 Audit Committee.

A.18/15 **ANNUAL STATEMENT OF ACCOUNTS 2014/15**

Members considered a report that presented a summary of net revenue and capital expenditure.

During discussion, it was confirmed that the published version of the Statement of Accounts would be updated to reflect the fact that the job title of the S151 Officer had changed from the 'Head of Finance' to the 'Finance Community Of Practice Lead'.

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 2015 (as outlined at Appendix B of the presented agenda report) also be approved.

A.19/15 THE AUDIT FINDINGS FOR SOUTH HAMS DISTRICT COUNCIL

A Grant Thornton report was considered that highlighted the key matters arising from their audit of the Council's financial statements for the year ended 31 March 2015.

Once the Grant Thornton Audit Manager had taken the Committee through the report, Members emphasised the excellent outcome and wished for their congratulations and thanks to be extended to the Section 151 Officer and her finance colleagues.

It was then:

RESOLVED

That the paper be noted.

A.20/15 THE USE OF AGENCY STAFF

A report was considered that provided the Committee with an update on the Council's use of agency staff.

In discussion, the following points were raised:-

- (a) Some Members expressed their concerns at the upward trend in the percentage of agency staff (increased from 6.0% in 2012/13 to 9.9% in 2014/15) and the subsequent costs arising from using agency staff. In response, officers advised that this trend was being reversed in light of Environment Services (which had been employing a number of agency staff) now permanently filling their vacancies. In addition, the recent completion of Phase 2 of the Transformation Programme had enabled the Council to be in a position to advertise to fill its vacancies.

However, the Committee also recognised that the percentage of agency staff in the future may stay fairly constant in light of there being less permanent total staff numbers on the Council's establishment;

- (b) It was the future aim of officers to be in a position to reduce the total staffing costs to £10 million;

- (c) Such was the importance of this issue, the Committee was of the view that it would like to be in a position to review the trends again via a further report in six months' time. For the next report, officers also agreed to give consideration to methods of better illustrating the percentage and cost splits between South Hams District Council and West Devon Borough Council.

It was then:

RESOLVED

1. That the contents of the report be noted;
2. That the Senior Leadership Team continue to monitor the use and cost of using agency workers; and
3. That an update report be presented to the Committee in six months' time.

A.21/15 UPDATE ON PROGRESS ON THE 2015/16 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 2015/16 to 31 August 2015.

In discussion, the following points were raised:-

- (a) Whilst it would be formally reported to the next Committee meeting, the Group Manager – Support Services advised that the Council had just received a 'good' audit finding from central government in respect of its IT security compliance;
- (b) The Committee was given assurances that the cash collection audit findings were in no way linked to the Council changing its bank account;
- (c) With regard to the 50 days unplanned audit work for the Greater Dartmoor Local Enterprise Action Fund (LEAF) and South Devon Coastal Local Action Group (LAG), some Members commented that this seemed to be excessive. In reply, officers advised that these were funded from EU Grants and, as a result of EU legislative requirements, were very resource intensive.

It was then:

RESOLVED

That the progress made against the 2015/16 internal audit plan, and any key issues, be noted.

(Meeting commenced at 10.00 am and finished at 12 noon)

Chairman