

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 22 JUNE 2017**

<b>Members in attendance</b> * 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		

<b>Members also in attendance:</b>
Cllrs H D Bastone, M J Hicks, N A Hopwood 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 – Customer First and Support Services; Section 151 Officer; Devon Internal Audit Partnership Managers; Case Management Manager (Support Services); COP Lead (Housing, Revenue and Benefits); and Senior Specialist – Democratic Services

**A.1/17 MINUTES**

The minutes of the meeting held on 23 March 2017 were confirmed as a correct record and signed by the Chairman.

**A.2/17 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.3/17 KPMG EXTERNAL AUDIT FEE LETTER**

The Committee considered correspondence from KPMG that confirmed the audit work and fee that the organisation proposed for the 2017/18 financial year.

The Chairman advised the Committee that apologies had been received for this meeting from KPMG representatives.

In their absence, the Chairman proceeded to read the following summary points on behalf of KPMG:

- A single page, letter style report had been issued (rather than a full report) as KPMG was happy with the progress of the audit thus far and had identified no issues of concern that they felt warranted immediate communication to the Committee;
- The audit had progressed in line with KPMG expectations and all expected work was completed at the interim visit;
- KPMG had not identified any changes to either the financial statement or Value for Money risks set out in its External Audit Plan;
- To date, KPMG had identified a control deficiency which related to the documentation of monthly checks undertaken in relation to Housing Benefit payments. The completion of these checks had not been recorded, so we were unable to place reliance upon them; and
- Whilst KPMG did not benchmark the results of its audits across clients, a degree of comfort could be taken from the fact that KPMG had issued a letter rather than a full report. Whilst such letters were issued to a number of clients, it was also not uncommon for KPMG to identify issues that required it to issue a full interim report. It was confirmed that no such issues were identified at South Hams.

#### A.4/17 **KPMG INTERIM AUDIT LETTER 2016/17**

The Committee was also presented with the KPMG Interim Audit Letter for 2016/17 and, with no issues being raised on its contents, proceeded to move to the next agenda item.

#### A.5/17 **AUDIT COMMITTEE WORKPLAN PROGRAMME 2017/18**

Members gave consideration to a report that presented the suggested timetable for the agenda items that would be considered by the Committee during the 2017/18 Financial Year

In discussion, the following points were raised:-

- (a) Having sought clarification, Members were given assurances that there remained the ability to add agenda items to the Work Programme during the course of the year. In light of this response, it was agreed that, in the event of any Committee Members wishing to request inclusion of any additional agenda items, then these should be raised with the Section 151 Officer;
- (b) a Member requested that items be added in relation to 'Commercial Services – Budgetary Control' and 'Governance of the Dartmouth Lower Ferry Service Review'. To avoid any potential duplication with the Overview and Scrutiny Panel, it was agreed that the Section 151 Officer would meet with interested Members outside of this meeting to discuss these requests further ;

- (c) A Member highlighted that the work programme had omitted a request made at the previous Committee meeting on 23 March 2017. At the last meeting, officers gave a commitment to report back to the Committee at its meeting on 21 September 2017 to outline the safeguards that had been put in place with regard to the Council pursuing its debtors (Minute A.32/16 refers).

It was then:

**RESOLVED**

That the Committee Work Programme for the Financial Year 2017/18 be approved, subject to inclusion of the comments recorded in the minutes above.

**A.6/17 SHARED SERVICES METHODOLOGY 2016/17**

The Committee considered a report that presented the methodology for the apportionment of costs (predominantly staffing costs) between the Council and West Devon Borough Council.

In discussion, reference was made to:-

- (a) support for the report. In thanking officers for producing the report, Members felt that its content would help the Committee greatly in fulfilling its role;
- (b) clarity around staffing numbers. In the future, the Committee requested that additional information be included that outlined whether or not the staffing numbers were full-time equivalents and temporary or permanent resources.

It was then:

**RESOLVED**

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

**A.7/17 ANNUAL GOVERNANCE STATEMENT 2016/17**

The Committee considered a report that presented the draft Annual Governance Statement (AGS) for 2016/17. 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 procurement process undertaken by Public Sector Audit Appointments (PSAA) Ltd. The Committee was informed that, following the procurement process, KPMG had not been shortlisted to be the Council's External Auditor from 2018/19 onwards;
- (b) the Council's Transitional Improvement Board (TIB). The Case Management Manager (Support Services) updated the Committee on the role, purpose and remit of the TIB. In particular, the TIB had been focusing its recent efforts on making improvements to processes primarily by virtue of removing existing barriers and blockages to progress in the Development Management; Environmental Health and Waste service areas. A Member reminded the Committee that the Overview and Scrutiny Panel was due to consider a report that focused on the T18 Payback period and he asked that the officer comment whereby it was not anticipated that Members would be asked to approve any more additional transitional resources funding should be formally recorded;
- (c) capacity issues in the planning enforcement service. In response to Member concerns, officers advised that an operational decision had been made to increase capacity within the planning enforcement service and that this would be funded through a reallocation of existing resources. In addition, the Committee noted that the Overview and Scrutiny Panel had requested that it receive an update report on the service at its meeting on 27 July 2017. Members welcomed this response and took reassurance that this was an example of how officers were now shaping the Future Operating Model to fit the organisation.

Before the AGS was approved, the Committee did request that reference be added to the Council decision on 25 February 2016 (Minute 65/15 refers) to increase resources in the Planning Enforcement service;

- (d) the proposed Commercial Property Investment Strategy. In light of the Executive Forward Plan indicating that the draft Strategy would be considered by the Executive at its meeting on 20 July 2017, a Member expressed his deep reservations. Before a final decision was taken in this regard, the Member emphasised the importance of all Members being wholly satisfied that appropriate controls and exit strategies were in place. In reply, officers acknowledged these concerns and gave an assurance that these points would all be covered in the published Executive report. Nonetheless, the Committee requested that it consider the risk and governance aspects of the Executive report at its next meeting on 20 July 2017 to ensure that it was satisfied with these aspects prior to a decision ultimately being taken at the Special Council meeting on 27 July 2017;

- (e) the Devonwide Business Rates Pool. Since the significant business rates appeal had been settled in March 2017, Members were informed that a report would be presented to Members in due course that would recommend that the Council be reinstated into the Devonwide Pool.

It was then:

### **RESOLVED**

1. That the processes adopted for the production of the 2016/17 Annual Governance Statement be endorsed;
2. That the adequacy and effectiveness of the system of Internal Audit be endorsed;
3. That the draft Annual Governance Statement for 2016/17 and the supporting evidence (as outlined in the presented agenda report) be approved and signed off by the Leader of Council and the Executive Director (Strategy and Commissioning), subject to reference being added to the Council decision on 25 February 2016 to increase resources in the planning enforcement service; and
4. That the Committee be presented with the risk and governance aspects of the Community Property Investment Strategy report at its next meeting on 20 July 2017.

A.8/17

### **BUDGET BOOK 2017/18**

Members considered a report that presented the Budget Book for 2017/18.

In discussion, the following points were raised:-

- (a) Subject to revisions to the budget headings (e.g. to include the title: '*Changes to Medium Term Financial Strategy and Salaries*') and the inclusion of some explanatory supporting notes, the Committee welcomed the content and format of the Budget Book for 2017/18;
- (b) Members were advised that officers anticipated that there would be fewer virements necessary in the future;
- (c) The Committee recognised that a significant amount of work had been undertaken to provide more clarity in the Council's budget lines and Members were of the view that the revised format would enable them to better understand the finer details of the budget;
- (d) It was noted that, upon closure of the accounts, Members would be presented with a list of variations that outlined the budget against actual spend;

- (e) As time progressed, a Member felt that it would be beneficial for an interactive budget book to be developed;
- (f) Officers provided an explanation to an interested Member who specifically queried the additional expenditure arising from the Commercial Services salary budget and the reduced savings from the waste round review.

It was then:

### **RESOLVED**

That the content of the Budget Book for 2017/18 be endorsed, subject to inclusion of changes to the headings and supporting notes.

A.9/17

### **INTERNAL AUDIT ANNUAL REPORT 2016/17**

The Committee considered a report that summarised the work undertaken by the Council's Internal Audit team during 2016/17. 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) the findings of the Housing Benefit follow-up audit. At the request of the Chairman, the COP Lead for Housing, Revenues and Benefits provided an update to the Committee. In so doing, assurances were given that, as soon as the Council had been made aware of a change of circumstances, claims were immediately suspended. It was recognised that there was a need for greater resilience in this service area and Case Managers were currently in the process of being upskilled. In reply, Members stated that, since these findings often affected the most vulnerable members of the community, then it was essential for the issue of service resilience to be addressed swiftly;
- (b) the ability to draw comparisons. In the future, a Member felt it would be helpful for previous Audit Opinions to also be included to enable for the Committee to draw (any) comparisons;
- (c) the Health and Safety audit review. To counter the identified gap analysis following the review, the Committee was advised that a cross-service 'Virtual Community Of Practice' had been established that was addressing issues such as staff training, lone working and the reporting of near misses.

In her conclusion, the Chairman advised the Committee that this would be the last meeting for the Internal Audit Manager and, on behalf of the wider membership, she thanked her for her hard work and wished her every success for the future.

It was then:

**RESOLVED**

1. That it be endorsed that overall and based upon work performed during 2016/17, 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 2016/17 report be supported.

(Meeting commenced at 2.00 pm and finished at 4.10 pm)

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Chairman