

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 7 JANUARY 2016**

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 L A H Ward and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer, Representatives from Grant Thornton and KPMG, Head of Devon Audit Partnership and Senior Specialist – Democratic Services

A.2215 WELCOME

On behalf of the Committee, the Chairman welcomed Mr Darren Gilbert (from KPMG) to his first Audit Committee meeting. Furthermore, the Committee was also advised that Mr Adam Bunting (KPMG) had given his apologies for this meeting.

A.23/15 MINUTES

The minutes of the meeting held on 24 September 2015 were confirmed as a correct record and signed by the Chairman.

A.24/15 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.25/15 THE ANNUAL AUDIT LETTER FOR SOUTH HAMS DISTRICT COUNCIL

The Committee received the Council's Annual Audit Letter that summarised the key findings arising from the work that Grant Thornton had carried out at the Council for the year ended 31 March 2015.

In discussion, reference was made to:-

- (a) the Audit Fee. It was noted that the Fee was determined by the Public Sector Audit Appointments (PSAA) and it was set irrespective of the performance of the Council. For 2016/17, it was noted that, in comparison to 2015/16, there would be a 25% reduction in the Council's Audit Fee;
- (b) the key issues and recommendations raised. With regard to the requirement to open up dialogue with the asset software system provider, the Committee was informed that the Capital Accountant was to make contact in the ensuing weeks. Secondly, the S151 Officer confirmed that relevant officers had now been reminded of the importance of narrative descriptions being added to all journals to explain the nature and purpose of a transaction.

It was then:

RESOLVED

That the Annual Audit Letter be noted.

A.26/15

CERTIFICATION WORK FOR SOUTH HAMS DISTRICT COUNCIL FOR YEAR ENDED 31 MARCH 2015

The Committee considered a report produced by Grant Thornton that presented their Certification Work for the Council for the year ended 31 March 2015.

The detailed work undertaken by Grant Thornton on the Council's Housing Benefit Subsidy claim which had a value of £22.4 million was noted by the Committee. In so doing, the Committee acknowledged that there were no amendments to the claim and the subsidy claim was unqualified.

The Committee emphasised the comments expressed by the Grant Thornton representative whereby an 'unqualified opinion' was an uncommon and excellent result for the Council. In recognition of this achievement, it was agreed that the Chairman should write to the Housing Benefit team to thank them for their hard work and commitment to the Council.

It was then:

RESOLVED

1. That the paper be noted; and
2. That the Chairman write to the Housing Benefit team to thank them for their hard work and commitment to the Council.

A.27/15

REPORT ON VALUE FOR MONEY FOR THE COUNCIL

Members considered a report that was produced by Grant Thornton that summarised the findings from their work supporting their Value for Money conclusion, which was required as part of the statutory external audit responsibilities.

During discussion, the following points were raised:-

- (a) The Committee wished to query the 'Amber' rating that was attributed to the Council's General Fund Balance particularly when considering that it was in line with the Council's target balance. In reply, the Grant Thornton representative informed that this rating had arisen in light of the balance being low compared to other similar sized rural local authorities. Specifically on this area of focus, the Committee felt that this was a misleading rating and expressed the view that it would be beneficial to see more information accompanying this rating;
- (b) A Member emphasised the current issues faced by the Council relating to IT systems and data quality and felt that the observations in the presented agenda report whereby 'no issues or concerns had been raised over the quality of date' were now seriously out of date;
- (c) On behalf of the Group Manager – Commercial Services, the Section 151 Officer provided the Committee with an update on the Strategic Waste Review. Members welcomed this update and requested that it be circulated to the wider membership by being included in the Budget papers that were circulated to the Overview and Scrutiny Panel meeting in January 2016;
- (d) It was noted that the rating attributed for 'Executive and Member Engagement' had been incorrectly labelled as 'Amber' and it should in fact be categorised as 'Green';

(NOTE: during consideration of point (e) below, the S151 Officer left the meeting room).

- (e) Members expressed their concerns that the rating for 'Understanding of the Financial Environment' had been downgraded to 'Amber' as a consequence of the S151 Officer no longer being a member of the Council's Senior Leadership Team. Members paid tribute to the tireless and excellent work undertaken by the postholder and recalled the comments expressed at a recent training event whereby Councils were urged to include their S151 Officer role as a member of their respective management teams. The following motion was then **PROPOSED** and **SECONDED** and when put to the vote declared **CARRIED**:-

'That consideration be given to the Section 151 Officer role being reinstated to the Council's Senior Leadership Team.'

(NOTE: at this point, the S151 Officer returned to the meeting room).

It was then:

RESOLVED

1. That the report be noted; and
2. That consideration be given to the Section 151 Officer role being re-instated to the Council's Senior Leadership Team.

A.28/15

EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

A KPMG produced report was considered that sought to provide the Committee with an overview on progress in delivering their responsibilities as the Council's new external auditor. The report also highlighted the main technical issues that were currently having an impact in local government.

In discussion, reference was made to:-

- (a) the need for a radical programme of house building. Members highlighted as a cause for real concern the following comments outlined in the presented agenda report:-

'without a radical programme of house building, average house prices in England could double in just ten years and quadruple in just twenty years.'

- (b) transport infrastructure assets. The new requirement (from 2016/17) to include transport infrastructure assets owned by local authorities in the accounts was causing councils much consternation. The KPMG representative felt that this requirement was less likely to affect district councils. Whilst still awaiting more guidance in this respect, officers confirmed that there was a possibility that the Dartmouth Lower Ferry slipway may be included within the definition of this type of asset.

It was then:

RESOLVED

That the report be noted.

A.29/15

APPOINTING YOUR EXTERNAL AUDITOR

A report was presented by KPMG that outlined what local authorities should be considering when appointing their External Auditors in the future.

In discussion, the following points were raised:-

- (a) The Committee was informed that, as a best guess (and depending upon the choice of procurement approach followed), the appointment process would typically take in the region of six months;
- (b) The long lead-in time for this process was welcomed by Members. Furthermore, Members welcomed the fact that the strength of the Council's financial controls would be reflected in the tendering process;
- (c) With regard to seeking more clarity in relation to the role of the Audit Panel, it was confirmed that CIPFA was in the process of producing guidance in this respect. At the conclusion of a brief debate, the Committee requested receipt of a report at a future meeting that provided more information on the role of the Audit Panel and an indication on the views of neighbouring local authorities.

It was then:

RESOLVED

1. That the contents of the report be noted; and
2. That a report on the role of the Audit Panel and an indication of the views of neighbouring local authorities be presented to a future Audit Committee meeting.

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 6 November 2015.

In discussion, reference was made to:-

- (a) the alleged misappropriation of Council assets. Members were advised that the court date for the hearing to consider this matter had been confirmed for January 2016;
- (b) T18 Transformation. Officers gave assurances that the audit work on T18 Transformation would include reference to iESE, who had supported the Council during the Programme;
- (c) the Plan being more advanced than indicated in the presented agenda report. As an update, Members were advised that the Council Tax, Business Rates and Treasury Management projects had all now commenced. In addition, the Trade Waste, Car and Boat Parking and Salcombe Harbour project reports had now all been issued in draft form. In conclusion, it was noted that officers were confident that the work scheduled within the agree Plan would be completed before the end of the 2015/16 year;

- (d) the Greater Dartmoor Local Enterprise Action Fund (LEAF) and the South Devon Coastal Local Action Group (LAG). Whilst recognising that the allocation of 50 days of audit work to these projects was as a result of EU legislative requirements, Members reiterated their previously raised concerns that this was unduly excessive and was to the ultimate cost of the Council Taxpayer. Members were informed that the Overview and Scrutiny Panel had requested that representatives for the LEAF and LAG attend its meeting on 17 March 2016 and it may be deemed appropriate by Committee Members to raise questions relating to value for money at this meeting.

It was then:

RESOLVED

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

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

Chairman