

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 30 JULY 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, T R Holway and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Group Manager – Support Services, S151 Officer, Devon Audit Partnership Manager, Senior Specialist – Democratic Services, Chief Accountant, Finance Business Partner and Corporate Procurement Officer

A.6/15 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED

That Cllr I Bramble be appointed Vice-Chairman for the duration of this meeting.

A.7/15 MINUTES

The minutes of the meeting held on 25 June 2015 were confirmed as a correct record and signed by the Chairman.

A.8/15 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.9/15 DRAFT STATEMENT OF ACCOUNTS 2014/15

The Committee was presented with a report that introduced the draft Statement of Accounts for 2014/15. In summary, the report advised that a surplus of £34,000 had been generated in 2014/15, which had been transferred to the General Fund Balance (unearmarked revenue reserve).

In discussion, reference was made to:

- (a) the pension scheme assets and liabilities. A briefing note was tabled to the meeting that provided more details regarding the pension scheme assets and liabilities. A lengthy debate ensued during which Members raised a number of concerns at the pension liability increasing by 43% over the course of the year. The S151 Officer took Members through the briefing note which explained that the increase in the liability was due to a change in the actuarial assumptions in 2014/15. It was noted that the increased liability was mainly due to the fall in the discount rate assumption from 4.4% to 3.3%. It was also stated that if the same valuation exercise had been repeated just two weeks later (when the discount rate had risen), the increase in liability would have been reduced considerably.

As a consequence of Member concerns, the Committee requested that a representative from Devon Pensions be invited to attend the next meeting on 24 September 2015 to provide a presentation and respond to Member questions.

The Committee also noted that the pension fund deficit (as reported in the accounts) did not represent an immediate call on the Authority's reserves, but simply provided an accounting valuation snapshot (at 31 March 2015), with the value of assets and liabilities changing on a daily basis. Assurances were also given that this did not affect the Council's 'bottom line' and was reversed out of the revenue account;

- (b) the analysis of variations. Members commented that the analysis was particularly useful and the additional income generated from planning applications and employment estates were particularly noteworthy. In contrast, a Member felt that the reduction in income for the Lower Ferry, Car Parks and Trade Waste were causes for concern. In acknowledging the point, the lead Executive Member for Support Services informed that the Executive was aware of these reductions and measures were being considered to reverse these trends;
- (c) the comprehensive income and expenditure statement. The Chairman queried as to why there were large variations on the statement in relation to 'central services to the public', 'cultural and related' and 'planning'. In reply, the S151 Officer advised that the variations were largely as a consequence of:-
- 'central services to the public' – there were two main reasons for this variation, namely the land charges settlement around personal search fees and the cost of the European elections;
 - 'cultural and related' – this variation was due to the revaluation of Ivybridge Leisure Centre; and
 - 'planning' – this variation was attributed to the £440,000 additional income generated by the service.

- (d) the Transformation Programme. The Committee was assured that the

Programme remained on track in respect of the anticipated projected savings.

It was then:

RESOLVED

1. That the draft Statement of Accounts for the financial year 31 March 2015 be noted; and
2. That a representative from Devon Pensions be invited to attend the next Committee meeting on 24 September 2015 to provide a presentation and respond to Member questions.

A.10/15 ANNUAL GOVERNANCE STATEMENT 2014/15

The S151 Officer presented a report that provided Members with information to enable them to independently examine the draft Annual Governance Statement and the supporting process and assurance streams.

A Member commented on the robustness of the Collaboration Agreement which had recently been signed by both the Council and West Devon Borough Council in the event of a future situation whereby both councils may not be in agreement over an issue.

It was then:

RESOLVED

1. That the process adopted for the production of the 2014/15 Annual Governance Statement be noted;
2. That the adequacy and effectiveness of the system of internal audit be endorsed; and
3. That Members have considered the draft Annual Governance Statement (AGS) for 2014/15 and the supporting evidence provided in the report and approve it for the signature of the Leader of Council and the Head of Paid Service.

A.11/15 CONTRACT PROCEDURE RULES

Members considered a report that allowed them to carry out an overview of the updated Contract Procedure Rules to enable them to ultimately recommend their adoption to the Council.

The Corporate Procurement Officer took the Committee through the report

and summarised the proposed key changes to the Rules.

In discussion, the following points were raised:-

- (a) Members highlighted some concerns regarding the proposal to remove the need for a Member to oversee the opening of tenders which were under the EU threshold. The view was expressed that this would result in the removal of a control mechanism in the process which would be detrimental. In reply, the officer talked the Committee through the safeguards associated with the online procurement portal and confirmed that Internal Audit would still have a role to play in reviewing the completed outcome sheets;
- (b) When questioned, officers confirmed that the Contract Procedure Rules did not relate to Section 106 Agreements. However, the proposed changes could have an impact on the Council's Financial Procedure Rules and officers informed that they would check this point.

It was then:

RECOMMENDED

That the updated version of the Contract Procedure Rules has been reviewed and that the Council be **RECOMMENDED** to approve them for adoption.

A.12/15 ROLE OF INTERNAL AUDIT – BRIEFING PAPER

Further to the Committee decision at its last meeting (Minute A.5/15 refers), a briefing paper was presented that summarised the roles, responsibilities and functions of the Council's Internal Audit Service.

It was then:

RESOLVED

That the paper be noted.

A.13/15 CHAIRMAN'S CONCLUDING COMMENTS

The Chairman informed that this was the last Audit Committee meeting before the Chief Accountant left the employ of the Council. On behalf of the Committee, the Chairman wished to thank him for his hard work and dedication and wished him a long and happy retirement.

In response, the Chief Accountant wished to formally thank Members for their support and, in particular, the Committee Chairman for whom he had worked so closely with during his twenty-five years employ with the Council.

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

Chairman