

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON 11 APRIL 2013**

<b>Members in attendance</b>			
<b>* Denotes attendance    ∅ Denotes apology for absence</b>			
*	Cllr I Bramble	∅	Cllr L P Jones
*	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr A S Gorman		

<b>Other Members in attendance and participating</b>
Cllr M J Hicks

<b>Item No</b>	<b>Minute Ref No below refers</b>	<b>Officers and Visitors in attendance</b>
All Items		Chief Accountant, Chief Internal Auditor, Risk and Health and Safety Advisor and Member Support Officer.  Director and Engagement Lead and Audit Manager - Grant Thornton
Item 5	A.27/12	Corporate Director (AR)
Item 10	A.32/12	The Monitoring Officer and Democratic Services Manager

**A.25/12      MINUTES**

The minutes of the meeting held on 10 January 2013 were confirmed as a correct record and signed by the Chairman subject to the following amendment, that Cllr C Bruce-Spencer be recorded as present at the meeting.

**A.26/12      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.27/12      STRATEGIC RISK ASSESSMENT – 6 MONTHLY UPDATE**

The Committee considered a report which informed them on the current situation with regard to corporate strategic risk assessment and which summarised the management and mitigation of identified risk.

In light of the Committee wishing to discuss elements of the exempt appendices,

It was then:

**RESOLVED**

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

Members then discussed the exempt appendices, and officers responded to a number of queries that were raised.

It was then:-

**RESOLVED**

That the public and press be readmitted.

It was then:-

**RESOLVED**

That the Audit Committee notes:

1. The content of the Strategic Risk Assessment – six monthly update and has commented on it; and
2. The importance of staff training and development during significant periods of change and to minimise future strategic risks seeks assurances that adequate resources are budgeted for to ensure delivery of future staff training needs.

**A.28/12 INTERNAL AUDIT TERMS OF REFERENCE (CHARTER) & STRATEGY – 2013/14**

The Committee considered a report that reviewed the Internal Audit Terms of Reference (Charter) and Strategy 2013/14.

The Chief Internal Auditor informed that a review of the Terms of Reference (Charter) had last been presented to the Committee in 2010/11 and that since three years had elapsed, it had now been reviewed again.

The main changes related to the definition of Internal Audit, as set out by the Institute of Internal Auditors 2013 document 'Applying the IIA International Standards to the UK Public Sector', was combining the Terms of Reference Internal Audit Strategy in a Charter, and the requirement for Internal Audit to be independently assessed every five years.

The Internal Audit Strategy 2013/14 was a high level statement on how Internal Audit would deliver their service in accordance with the Terms of Reference and how the strategy linked with the organisations objectives and priorities.

The officer highlighted that the target for the achievement of the annual audit plan had been increased from 90% to 95% for 2013/14.

Both the Chairman and Vice Chairman thanked the Chief Internal Auditor for an excellent report.

It was then

### **RESOLVED**

That the Internal Audit Terms of Reference (Charter) and Strategy 2013/14 be approved.

#### **A.29/12 INTERNAL AUDIT PLAN FOR 2013/14**

The Chief Internal Auditor presented a report that provided Members with the opportunity to review and comment upon the Internal Audit Plan 2013/14 which had been developed from the five year Audit Plan 2010/11 to 2014/15. The key deviations from the five year Audit Plan were:

The removal of:

- Car loans – 6 days
- Dartmouth Town Council – 5 days
- Performance Indicators - 25 days
- Sustainability – 10 days

And the addition of:

- West Devon Borough Council – additional 25 days
- Specific Counter Fraud Activities – 10 days
- Data Protection and Freedom of Information – 8 days

It was then

### **RESOLVED**

That the Audit Committee has reviewed and commented upon the Internal Audit Plan 2013/14 and linked the 2013/14 Computer Audit Plan.

A.30/12

**CHECKLIST FROM THE AUDIT COMMISSION DOCUMENT:  
PROTECTING THE PUBLIC PURSE 2012 (FIGHTING FRAUD  
AGAINST LOCAL GOVERNMENT)**

The Committee considered the report which informed it of the position of the Council against the Checklist included in the Audit Commission publication 'Protecting the Public Purse 2012 (Fighting Fraud against Local Government)' (November 2012). The report also drew attention to previous checklists which had been presented to Members, and the National Fraud Authority's strategy 'Fighting Fraud Locally' and the Audit Commission's publication 'The National Fraud Initiative' (Audit Committee September 2012).

The officer reminded the Committee of the intention to combine the checklists into one. This would be done for the Committee meeting in April 2014, by which time it would be clear whether a Protecting the Public Purse 2013 would be available or if the National Fraud Authority's strategy 'Fighting Fraud Locally' would be the sole checklist

Members were reminded that the Council had issued a Press Release relating to its involvement in a partnership of Devon local authorities who were setting up a project to investigate and tackle social housing fraud (paragraph 18 of Appendix A to the presented agenda report refers).

It was then

**RESOLVED**

That the position of the Council against the Checklist included in the Audit Commission's publication 'Protecting the Public Purse 2012 (Fighting Fraud against Local Government) (November 2012) has been considered.

A.31/12

**PROGRESS AGAINST THE 2012/13 INTERNAL AUDIT PLAN.**

The Chief Internal Auditor presented a report that informed Members of the principal activities and findings of the Council's Internal Audit Team for 2012/13 to 28 February 2013.

The officer informed that there were no significant issues in relation to non-compliance with financial procedure rules, nor had there been any actual or suspected incidences of fraud, corruption or bribery.

In terms of progress against the plan, 85% had been completed by the 28 February 2013 but the projected completion figure for the year was 98% as work would continue into April.

The Committee then discussed the Planned Audits 2012/13 – Final Reports issued set out in Appendix C of the published agenda report.

During the discussion, the following points were raised:

**Planned Audits 2012/13 – Final Reports Issued:**

Members noted that the audit opinion for most of the reports was either fair or good, with one stated as excellent. Members emphasised their aspiration to see more opinions rated as Excellent.

A Member remarked that the audit was designed to add value and improve an organisation and expressed concern that a number of the recommendations had not been progressed. The Member sought assurances that work was being undertaken to implement recommendations so that they were not re presented.

It was suggested that the role of the Audit Committee in supporting the follow up procedures be discussed at the Audit Committee's Annual Workshop to ensure that future audit recommendations are implemented.

**Data Quality and Performance Indicators:**

It was highlighted that with regard to Green House Gas (GHG) Emissions out turn, National returns had shown that 40% of local authorities never made any returns. Members supported that enquiries be made to establish what penalties might be incurred for not submitting this data.

**Non- Domestic Rates:**

Members expressed concern at the issues raised in relation to the non-domestic rates and the limited resources explanation for non implementation of previous recommendations, and it was asked if there was a need to recruit additional temporary resources.

The Committee was informed that a number of issues had impacted on the Revenue & Benefits Service, these being the transition to shared services, followed by the implementation of new shared software which had diverted resources from the day to day work. However, going forward it was expected that there would be activity on progressing the recommendations.

It was then

**RESOLVED**

That the Audit Committee:

1. has considered the progress made against the 2012/13 Internal Audit Plan and has commented on the summary of the issues arising;
2. supports that enquiries be made to establish the necessity for collecting GHG emission data and what penalties might be incurred for the non-submission of this data; and

3. that the Audit Committee's role in the follow up procedures are discussed at the Annual Audit Committee Workshop.

## A.32/12 **ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION**

The Monitoring Officer and Democratic Services Manager presented a report that set out the amendments to the constitution as a result of the annual review of the constitution.

The Chairman thanked the officers for the excellent and detailed review.

It was then

### **RECOMMENDED**

That the Council be **RECOMMENDED** to approve the amendments to the South Hams District Council Constitution 2013 (as summarised in paragraph 2.2 of the report).

## A.33/12 **(DRAFT) EXTERNAL AUDIT 2012/13 AUDIT PLAN**

The Director and Engagement Lead (Grant Thornton) presented the (Draft) Audit Plan (year ended 31 March 2013). He informed the Committee that they had identified three key areas of challenge that the Council was facing, these being:

- the Transformation project to consider options for a new operating model;
- the implications of the Local Government Finance Act in relation to the development of the local Council tax support scheme and the retention of Business Rates; and
- the reduction in the Local Government Finance Settlement for 2013/14 by £265,000

The Director highlighted that as the Authority had progressed a long way down the shared services route there was now less room to make further savings.

During the discussion, the following points were raised:

**Welfare Reform Act:** It was noted that the Welfare Reform Act would have an impact on how the Council's resources would be allocated in the future, and that this was a very complex area with potential for unintended consequences. The Director (GT) said they would be monitoring very closely how the Council was responding to the risks presented by this challenge;

**Corporate Governance:** Members were informed that there was an opportunity for the Council to review how it presented its accounts to enhance public engagement;

**Risk Based Audit:** Members were informed that the external auditors would always consider processes involving cash, senior officer remuneration and transaction cycles. When a risk was identified they undertook substantive testing. They also considered national risks and undertook specific testing in relation to capital expenditure.

Members were informed that that the Grant Thornton approach to audit testing was more targeted with a greater emphasis on risk compared to the methodology adopted by the Audit Commission, which tended to be more wide ranging.

**Pension Fund Arrangements:** The Committee was informed that whilst the pension fund was administered by a third party, the Council had its own specific disclosure requirements which were examined by External Audit. Grant Thornton would also liaise with the auditor of the Devon County Council Pension Fund to enable a review of the information flows between South Hams District Council and the Pension Fund and an assessment of the assumptions used to be undertaken.

There were a number of sub-assurances that should be undertaken and the external auditors ensured that these processes were being undertaken before they gave their own assurance. In particular, the control environment of the Pension Fund systems was assessed.

**Draft Interim Audit Report:** Members were informed that arising from walkthrough testing, two areas had been identified for possible improvement: these being the updating of Payroll Policies and Procedures and the frequency of benefit entitlement spot checks. The responsible officers would provide a response to these audit findings in due course.

Grant Thornton had also reviewed Internal Audit's arrangements as part of their interim audit work.

The Vice-Chairman expressed her thanks to the Internal Audit Team for the effective service they were providing.  
It was then

## **RESOLVED**

That the Audit Committee notes the (draft) external audit 2012-13 audit plan and has commented upon it.

(Meeting commenced at 10.00 a.m. and finished at 12.15p.m.)

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Chairman