

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON 13 JUNE 2013**

<b>Members in attendance</b>			
<b>* Denotes attendance</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>
Cllrs H D Bastone and S A E Wright

<b>Item No</b>	<b>Minute Ref No below refers</b>	<b>Officers and Visitors in attendance</b>
All Items		Acting Head of Finance and Audit, Chief Internal Auditor and Member Services Officer.  Audit Manager - Grant Thornton

**A.01/13 MINUTES**

The minutes of the meeting held on 11 April 2013 were confirmed as a correct record and signed by the Chairman.

**A.02/13 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.03/13 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2012/13**

The Chief Internal Auditor presented a report that provided Members with assurance that the System of Internal Audit was in place and was effective. He added that he was required to undertake this review on an annual basis as part of the process to produce the Annual Governance Statement.

The review had covered:

- Compliance with the standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006;
- Effectiveness of the Audit Committee;

- Assurance provided to the external auditor by Internal Audit;
- Client and management opinion; and
- Extent to which Internal Audit adds value and helps delivery of corporate objectives.

During the discussion, the following points were raised:

- The Chief Internal Auditor advised Members that there would be a requirement for an independent review of the internal audit service every 5 years under the new United Kingdom Public Sector Internal Audit Standards. The external auditors expressed that this should be undertaken by a third party for it to be truly independent and it was discussed that Teignbridge District Council and other local Authorities in Devon could be approached. The Chief Internal Auditor agreed to establish if an exchange with other Councils would meet the requirements.
- The Committee also suggested that the effectiveness of the Audit Committee should also be included in the review.
- A Member commented on the positive and complimentary feedback given in the satisfaction survey by Managers and wished for this to be noted.
- The officer highlighted that 99% of the Audit Plan 2012-13 had been achieved and the Risk Management audit would be carried forward into the 2013/14 audit plan and indeed the audit was already underway.

It was then:

### **RESOLVED**

That the findings of the Review of the Effectiveness of the System of Internal Audit has been noted and commented on.

A.04/13

### **INTERNAL AUDIT – ANNUAL REPORT AND OPINION ON THE ADEQUACY OF INTERNAL CONTROL 2012/13**

Members considered a report that informed them of the principal activities of the Internal Audit Section of Finance and Audit during 2012/13. The Chief Internal Auditor highlighted that his 'opinion on the adequacy and effectiveness of the control environment' formed a key part of the assurance for the Annual Governance Statement. His opinion was based on the Audit Plan for 2012/13.

During the discussion, the following points were raised:

- It was noted that there had been twenty four cases of benefit fraud, four of which had been prosecuted. Members asked if the organisation had adequate resources to deal with this number of cases and wished to know how much money was involved. The Chief Internal Auditor agreed to find out this information and report back to the Audit Committee at its meeting in September 2013. He went on to say that the Authority did have a Benefit Fraud Prosecution and Sanctions Policy which set out the base line for when prosecutions were pursued. The officer reminded Members of the report to the Audit Committee, on the Audit Commission's National Fraud Initiative (NFI) data matching service, but accepted that there was room for improvement in reporting NFI to Members. The September internal audit progress report would also include an update on the latest position.
- In regard to the two issues in relation to Capital Expenditure, Members were informed that both were as a result of ledger coding problems by the relevant service manager. In one case, the Council's Capital Accountant had already identified the issue and was dealing with it. In the other, the Capital Accountant would have noted the coding at the next reconciliation and reported it to Members. In both cases the expenditure was within approved capital or revenue budgets.
- Members wished for the excellent rating ascribed to Treasury Management, in the final reports, to be noted, and a Member commented that the Authority should continually aspire to attain excellence where it was currently rated as 'good'. Another Member expressed that given the financial constraints of the Council, the overall picture was good.
- The officer informed that discussions would be undertaken with the Assets team with regard to it raising its own invoices, as currently it was the only service that did not do this task. It would require resources, which meant that progress was unlikely to be achieved in the short term, but it was pending, and the Head of Service would report back to a future meeting of the Committee
- The officer highlighted that car parking permits, because of their cash value, required a control system and secure storage, which incurred resources, so the question was asked, if from a value for money perspective, the Authority could rationalise them. Members were informed that the Economy and Environment Scrutiny Panel would be convening a Task and Finish Group to review car parking charges and permits and that this could be a consideration for the Group.
- Members expressed their concern at the number of

recommendations in the final audit reports which were not implemented, which had resulted in the repetition of some issues. It was felt that if officers were not able to implement recommendations, they should not agree to them. The Chief Internal Auditor welcomed the comments and emphasised that it would be helpful if the Committee requested the attendance of managers to discuss their own individual reports.

- The officer informed the Committee that the Employment Taxes Review (pages 40 to 45 of the published agenda) undertaken by Grant Thornton at the request of the Council, had been submitted to HM Revenue and Customs, along with other documents, as the Authority was currently subject to an inspection.

With regard to the Termination of Payments process, the officer requested that the words '*was common*' in the opening sentence on that topic (page 42 of the published agenda) be amended, as he felt that the wording gave the impression that a compromise agreement had been reached in most cases of redundancy, which had not been the case.

- Grant Thornton had recommended that a process be put in place to review the claims made by the employees to determine which ones would be classed as taxable income.

The officer responded that the current situation, where good guidance was provided to officers to assist them to classify their claims, was reasonable, as the Authority could not be expected to investigate every journey for which there was a mileage claim, but they could introduce random sampling. The travel claim form highlighted the need for employees to seek HMRC guidance on taxable journeys. He added that there was also a corporate drive to reduce the necessity for officers to travel, which should reduce the number of travel claims.

- Members commented on the Council's VAT systems which had been found to be excellent, and wished for this to be noted.

It was then

## **RESOLVED**

That the report has been commented on and the Chief Internal Auditor's Opinion on the Adequacy of Internal Control be noted.

The Chief Internal Auditor presented the report which informed Members of the results of the 2012/13 compliance review of the 2011 Code of Corporate Governance and both he, and the Chairman, highlighted and discussed the importance of the six listed principles of Corporate Governance (page 47 of the published agenda) to the Audit Committee.

During the discussion, the following points were raised:

- Members were informed that a summary of an audit report, (an issue highlighted in the current governance review), on the Authority's Partnership arrangements, would be presented to the Committee at its meeting in September 2013. Whilst there was a policy in place, it had become outdated and was in need of a review. The Corporate Director (TW) would assign an officer to undertake this piece of work.
- In relation to the Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk, Members expressed their concern at a report which had recently been presented to the Economy and Environment Scrutiny Panel which was lacking in detail with regard to costs.

Members went on to say that they had concerns about the quality and standard of agenda reports generally. Another Member said that sloppiness had crept into report writing and cited an example where wording implying a subjective opinion had been used but which had no evidence within the body of the report to substantiate that opinion.

The Chief Internal Auditor responded that this would be best addressed by updating and re-launching the Guidance produced for officers on report writing and the Democratic Services Manager had responded to the concerns by canvassing Members for their views. Members discussed that this issue be included when formulating the recommendations on this item.

- Members noted the regular meetings between the Leader, Deputy Leader and the Chief Executive. One Member felt that notes should be taken at these meetings and distributed to Members, whilst another felt that a summary of the topics discussed should be produced. It was then **PROPOSED** and **SECONDED** that it be recommended that a summary of the topics discussed be produced and distributed.

It was then

**RESOLVED**

1. That the findings of the 2012/13 Compliance Review of the Council's Code of Corporate Governance 2011, including the significant governance issues to be taken to the Annual Governance Statement be noted; and
2. That support be given to the review into the Officer Guidance to Report Writing in an effort to address Member concerns over the standard of published agenda reports.

It was then

**RECOMMENDED** by four votes in favour and one abstention

That the Executive be **RECOMMENDED** to support the early implementation of:

1. The recommendation at Principle 1 on the Action Plan (page 60 of the published agenda);
2. The recommendation at Principle 2 on the Action Plan (page 67 of the published agenda); and
3. A summary document of the topics considered at the weekly meetings between the Chief Executive, Leader and Deputy Leader, being produced and made available to the wider membership.

(Meeting commenced at 2.00 pm and finished at 3.45 pm)

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Chairman