

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 3 APRIL 2014**

<b>Members in attendance</b> * Denotes attendance			
*	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 M J Hicks, T R Holway, M F Saltern and S A E Wright	

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Head of Finance and Audit, Chef Accountant, Chief Internal Auditor and Democratic Services Manager
Item 5	A.28/13	Assistant County Treasurer, Devon County Council
Item 6, 7, 8	A.29/13, A.30/13, A.31/13	Engagement Lead - Grant Thornton

**A.26/13 MINUTES**

The minutes of the meeting held on 16 January 2014 were confirmed as a correct record and signed by the Chairman.

**A.27/13 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 and these were recorded as follows:-

Cllr M F Saltern declared a Personal Interest in Item 12: 'Checklist from the Audit Commission Document: Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (Minute A.35/13 below refers) specifically in relation to the Housing Tenancy risk and issues and remained in the meeting during the debate on this matter.

A.28/13

### **VERBAL PRESENTATION FROM MR MARK GAYLER, ASSISTANT COUNTY TREASURER, INVESTMENTS AND TREASURY MANAGEMENT FROM DEVON COUNTY COUNCIL**

Having raised questions on the Pension Scheme at the last Committee meeting held on 16 January 2014 (Minute number A.23/13 refers), the Assistant County Treasurer of Devon County Council had been invited to attend this meeting to provide an update.

In conducting a presentation on the Devon Pension Fund, reference was made to the following key future issues:

- The Fund had a long term horizon over which to invest;
- The Fund needed to adapt to a changing world and increasing volatility of markets;
- Negative cash flow (contributions being less than the benefits) needed to be factored into the investment strategy for the longer term;
- A greater emphasis on cost savings (proposals for mergers and/or greater collaboration); and
- Long term performance of the Fund remaining the overriding objective.

In discussion, particular reference was made to:-

- (a) investing in a social housing fund. It was noted that the merits of this option had been explored, but it was concluded that other alternatives would deliver a better return;
- (b) the merits of ensuring that ethical investments were made. Members were informed that the last time that the Investment and Pension Fund Committee considered this matter, it remained of the view that its key role was to create good returns regardless of how ethical an investment was deemed to be;

In conclusion, the Chairman thanked the Devon County Council officer for his informative presentation and responses and advised that the Committee would welcome a further update on the Fund at a future meeting.

A.29/13

### **GRANT THORNTON SHDC AUDIT COMMITTEE UPDATE**

The Committee considered a report that provided it with a progress update on how the External Auditor was delivering its responsibilities to the Council.

To enable the Council response to the report to be considered at the same meeting, the Committee asked if the report could be received by the Council at an earlier stage to allow any questions raised to be formally responded to at the meeting. In reply, the Engagement Lead confirmed that there was a fine balance to be struck to ensure that the Committee was in receipt of the latest information available, but he would work with officers to ensure that, if at all possible, this request could be met.

It was then:

**RESOLVED**

That the report be noted.

**A.30/13 GRANT THORNTON SHDC AUDIT PLAN**

A report was considered that presented Grant Thornton's Audit Plan for 2013/14.

In discussion, the following points were raised:-

- (a) The Engagement Lead – Grant Thornton confirmed his findings whereby the Council's Internal Audit Service was providing an independent and satisfactory service to the Council;
- (b) In respect of the recommendation for all non-routine journal entries to be authorised, it was noted that virtually every local authority in the county would also have this identified as an issue. As a consequence, it was agreed that this matter would be raised at the next meeting of the Devon Accounting Group;
- (c) In noting the comments relating to there being a lack of segregation of duties in the preparing and processing of payroll, the lead Executive Member for Corporate Services reiterated that there were compensatory controls in place. In addition, the Chief Internal Auditor stated that the payroll service was a part of the Internal Audit Plan and spot checks were undertaken regularly.

It was then:

**RESOLVED**

That the report be noted.

**A.31/13 RESPONSE TO GRANT THORNTON PUBLICATION – AUDIT COMMITTEE UPDATE FOR SOUTH HAMS DISTRICT COUNCIL; AND UPDATE ON THE FUTURE OF LOCAL AUDIT**

Members considered a report that provided them with the responses to the questions posed in the Grant Thornton Publication – Audit Committee Update for South Hams District Council dated 16 January and presented to the last Committee meeting.

In discussion, reference was made to:-

- (a) Council Tax collection rates. The Committee felt that the collection rates performance should be commended and the team should be thanked on its behalf;
- (b) Member training. Officers advised that finance related training for Members would be arranged in the upcoming months, with Grant Thornton representatives also offering to assist. A Member also made reference to the finance presentation which was provided to new staff members during the induction process and felt that this could also be tailored and rolled out to Members;
- (c) the Local Audit and Accountability Bill. In light of the emerging nature of the Bill, it was noted that the next Audit Committee meeting would consider the guidance which was expected to be produced in May 2014 in support of the Bill.

In conclusion, the Committee wished to put on record its praise for this report and thanked officers accordingly.

It was then:

**RESOLVED**

That the report be noted.

**A.32/13 INTERNAL AUDIT: CHARTER AND STRATEGY – 2014/15**

The Chief Internal Auditor presented a report that allowed the Committee to review and comment upon the Internal Audit Charter and Strategy for 2014/15.

It was then:

**RESOLVED**

That the Internal Audit Charter and Strategy 2014/15 be approved and the proposals for independent external assessment (as required by the UK Public Sector Internal Audit Standards (PSIAS)) have been considered.

**A.33/13 INTERNAL AUDIT – PLAN FOR 2014/15**

A report was considered that provided the Committee with the opportunity to review and comment upon the Internal Audit Plan for 2014/15.

In its discussions, the Committee recognised the need for the plan to be flexible, particularly when considering the extent of the changes arising from the Transformation Programme.

It was then:

**RESOLVED**

That the Internal Audit Plan 2014/15 and the linked 2014/15 Computer Audit Plan has been reviewed and commented upon.

A.34/13

**INTERNAL AUDIT – PROGRESS AGAINST THE 2013/14 PLAN**

The Committee considered a report that informed it of the principal activities and findings of the Council's Internal Audit team for 2013/14.

In discussion, particular reference was made to:-

- (a) both South Hams District and West Devon Borough Councils Audit Plans being completed in their entirety by the end of the year. As a result, the Committee wished to put on record its appreciation of this achievement;
- (b) the audit findings in respect of planning policy, including S106 Agreements being categorised as 'fair'. When questioned, the Chief Internal Auditor advised that an action plan had been agreed to ensure that the future findings could be categorised as 'good'. In light of this, a Member emphasised the importance of this matter and requested that this be followed up rigorously;
- (c) contract management. Following the most recent audit into contract management, the Committee was informed that the legal service now had a list of all council contracts and work was ongoing to ensure that these records were kept up to date. The Committee asked to be kept updated in this regard;
- (d) partnership management. The Chief Internal Auditor confirmed that extensive work had taken place following the audit and, as a consequence, a partnerships performance report was due to be presented to a Scrutiny Panel during the summer months;
- (e) treasury management. Since the audit findings had been classified as 'excellent', the Committee wished for its recognition at this result to be recorded;
- (f) Dartmouth Ferry. The Committee was informed that a new software ticketing system had been purchased and was due to go operational during week commencing 31 March 2014.

It was then:

**RESOLVED**

That the progress against the Internal Audit Plan 2013/14 has been considered and the summary of issues arising commented upon.

A.35/13

**CHECKLIST FROM THE AUDIT COMMISSION DOCUMENT:  
PROTECTING THE PUBLIC PURSE 2013 (FIGHTING FRAUD AGAINST  
LOCAL GOVERNMENT)**

The Committee considered a report that informed it of the position of the Council against the checklist included in the Audit Commission publication: 'Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (November 2013).

In discussion, the following points were raised:-

- (a) In respect of the overpaid benefits reported, the Chief Internal Auditor advised that he would present a report containing the detail for 2013/14 to the next Committee meeting;
- (b) The Committee debated at length the merits of an Executive Member being allocated specific responsibility for fighting fraud across the Council. Whilst it was not unanimous, the Committee did conclude that the Leader should be encouraged to include this responsibility within the portfolio of the lead Executive Member for Finance and Audit;
- (c) In light of some apparent inconsistencies relating to the Housing Tenancy risk and issues identified, the Chief Internal Auditor confirmed that he would look into the Council's responsibilities under the Devon Home Choice agreement in relation to tenancy fraud;
- (d) The Committee was advised that the review into the Contract Procedure Rules had commenced and a report would be presented to the next Committee meeting.

It was then:

**RESOLVED**

That the position of the Council against the checklist included in the Audit Commission publication 'Protecting the Public Purse 2013 (Fighting Fraud against Local Government)' (November 2013) has been considered and commented upon.

A.36/13

**ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION**

A report was considered that sought to ensure that the Council Constitution was amended to reflect the changes that had either occurred in the Council over the previous year, or to implement any necessary changes to ensure that it was up to date, lawful and reflected the Council's current practices.

In discussion, particular reference was made to:-

- (a) responsibility for reviewing the Council Constitution. Whilst the Committee had responsibility for the review, the decision to amend the Constitution would ultimately need to be taken by the Council and a further report would be presented to the Annual Council meeting on 8 May 2014;
- (b) some concerns in relation to the recommendation to amend the rules in relation to 'Notices of Motion'. In reply, the lead Executive Member for Corporate Services advised that this recommendation was an attempt to provide more focus to motions and overcome the current position whereby the rule was so open ended and wide ranging.

It was then:

**RESOLVED**

1. That Council be **RECOMMENDED** to approve the amendments to the South Hams District Council Constitution 2014 (as summarised in paragraph 2.2 of the presented agenda report); and
2. That it be noted that the Contract Procedure Rules be presented to the next Audit Committee meeting in June.

A.37/13

**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 actions to address the identified risks.

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. Specifically in relation to risk CI01 and the apparent lack of progress being made, the Chief Internal Auditor confirmed that he would find out and inform the Committee in due course.

With regard to the potential loss of key staff as a consequence of the T18 Programme, the Committee recognised that this was an important risk to keep in mind.

It was then:-

**RESOLVED**

That the public and press be readmitted.

It was then:-

**RESOLVED**

That the strategic risks have been reviewed and commented upon.

(Meeting commenced at 10.00 am and finished at 12.40 pm)

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Chairman