

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 18 SEPTEMBER 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>Members in attendance and participating</b>
Cllrs H D Bastone, J M Hodgson and L A H Ward

<b>Members in attendance and not participating</b>
Cllr R J Tucker

<b>Item No</b>	<b>Minute Ref No below refers</b>	<b>Officers and Visitors in attendance</b>
All Items		Head of Finance and Audit, Chief Internal Auditor, Chief Accountant, Principal Accountant, Democratic Services Manager, Grant Thornton Audit Manager, Grant Thornton Engagement Lead and Devon Audit Partnership Manager

**A.14/14 WELCOME**

The Chairman welcomed Mr Rob Hutchins, Devon Audit Partnership Manager, to his first meeting of the Committee.

**A.15/14 MINUTES**

The minutes of the meeting held on 31 July 2014 were confirmed as a correct record and signed by the Chairman.

**A.16/14 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.17/14 ANNUAL GOVERNANCE STATEMENT 2013/14 - UPDATE**

The Committee was presented with a report that presented an update on the Annual Governance Statement 2013/14.

The report stated that the information had been previously considered by the Committee at its last meeting on 31 July 2014 (Minute A.13/14 refers). Officers confirmed that there had been one minor update to the report whereby the Medium Term Financial Strategy had been presented to the Executive in September and not October (page 26 of the presented agenda report refers).

During the discussion, it was highlighted that appendix B of the presented agenda report was incorrectly titled: 'West Devon Borough Council'. In reply, officers apologised for this oversight and gave assurances that this did not have any bearing on the substantive content of the paper and would be amended on the Council website.

It was then:

**RESOLVED**

That it be noted that no changes be required to the Annual Governance Statement (AGS) 2013/14 from the version considered and approved at the July 2014 Audit Committee meeting (Minute A.13/14 refers).

**A.18/14 ANNUAL STATEMENT OF ACCOUNTS 2013/14**

The Head of Finance and Audit presented the report which presented a summary of net revenue and capital expenditure and which sought approval for the audited statement of accounts 2013/14.

During the discussion, reference was made to:

- (a) the analysis of variations in income and expenditure. The Head of Finance and Audit responded to a number of specific queries in respect of these variations. In particular, the Committee noted that the T18 Programme had superseded the initial vacancy management strategy and, whilst the target had not been met for 2013/14, the consequent future savings would be far more significant. Moreover, Members recognised that due to the infrequent and sporadic need for external planning legal specialist advice, it was incredibly difficult to budget for this requirement and it would not be appropriate to employ an additional member of staff to meet this need;

- (b) the comprehensive income and expenditure statement. The Head of Finance and Audit also replied to a number of questions arising from the statement. Notably, the £6 million reduction in gross income and expenditure from 2012/13 to 2013/14 for central services to the public was attributed to the abolition of the Council Tax Benefits Scheme on 1 April 2013. Furthermore, the increase in gross income and expenditure for the environmental service largely related to an increase in expenditure (and income) for trade waste, recycling, public conveniences, coastal protection and pollution reduction;
- (c) global fiscal uncertainty. With regard to the assumptions made about the future and other major sources of estimation uncertainty, a Member queried whether global fiscal uncertainty should also be included. In response, it was concluded that since it would be so difficult to assess if actual results differed from assumptions and it being hard to quantify the impact, then it was not appropriate to include this factor at this time;
- (d) the short term debtor category 'Other entities and individuals'. In reply to a question, officers confirmed that they would establish some more information regarding this category and would provide these details to the Committee in due course;
- (e) the capital financing requirement. A Member asked for the comments in the accounts in respect of the Council 'not financing any of its capital expenditure by borrowing and as such its capital financing requirement being unchanged (at £98,000)' to be formally recorded;
- (f) the concluding comments contained in the Auditors' report. The Committee acknowledged the comments in respect of the Council 'having put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014' and wished to congratulate officers for their hard work and efforts in this regard.

It was then:

### **RESOLVED**

That the wording of the Letter of Representation (as presented at Appendix A of the presented agenda report) and the audited Statement of Accounts (as presented at Appendix B of the presented agenda report) be approved.

A.19/14

### **GRANT THORNTON – AUDIT FINDINGS FOR SOUTH HAMS DISTRICT COUNCIL**

The Engagement Lead (Grant Thornton) presented a report that highlighted the key matters arising from the audit of the Council's financial statements for the year ended 31 March 2014.

In summarising the report, the Engagement Lead (Grant Thornton) reiterated the acknowledgement whereby it was recognised that the audit was undertaken at a time of significant change and uncertainty within the finance team. In emphasising the point, Grant Thornton representatives wished to record their appreciation for the assistance provided by the finance team and other staff during the audit.

During the discussion, the following points were raised:

- (a) With regard to the internal control issues identified in relation to payroll processes and housing benefit debtors, the Committee endorsed the recommendations of Grant Thornton;
- (b) The Committee was of the view that the report was excellent and stated its appreciation for the input and feedback from Grant Thornton.

It was then

### **RESOLVED**

That the Audit Findings be noted.

A.20/14

### **INTERNAL AUDIT – REVISION OF AND PROGRESS AGAINST THE 2014/15 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 2013/14 to the 31 July 2014.

In discussion, reference was made to:-

- (a) revisions to the Audit Plan. As a consequence of the imminent departure of the Chief Internal Auditor and the audit management then being supplied by the Devon Audit Partnership, the implications upon the originally approved 2014/15 Audit Plan were noted;
- (b) the anticipated guidance regarding the establishment of Independent Auditor Appointment Panels. The Committee was informed that the guidance was still awaited;
- (c) the future choice of External Auditor. The Head of Finance and Audit provided an update on the views of the Audit Commission regarding the future choice of External Auditor. Whilst the Commission had now agreed that the Auditor should be the same for both the Council and West Devon Borough Council, the recommended appointment for both councils was no longer Grant Thornton. This recommendation was out for consultation until 10 October 2014 and the Committee felt that, in light of the loss of corporate knowledge and the need for continuity at this stage of the transformation programme, strong representations should be made to the Commission urging them to re-appoint Grant Thornton to the role of External Auditors for both councils;

(d) the management of Dartmouth Embankment. The Committee expressed its deep frustrations that this matter continued to remain unresolved.

It was then:

**RESOLVED**

1. That the revisions to the 2014/15 Internal Audit Plan and the progress made against it be endorsed; and
2. That Council be **RECOMMENDED** that representations be sent to the Audit Commission which outline the Council's deep reservations regarding the recommendation to no longer appoint Grant Thornton as the Council's External Auditor.

A.21/14 **CHAIRMAN'S CONCLUDING REMARKS**

Since this was the last Audit Committee meeting before the Chief Internal Auditor left the employ of the Council, the Chairman wished to, on behalf of the Council, thank him for his hard work and dedication. The Chairman proceeded to wish him a long and happy retirement and stated his regret at his pending departure

In reply, the Chief Internal Auditor wished to formally thank all Members for their support and, in particular, the Committee Chairman for whom he had worked so closely during his fifteen years employ with the Council.

(Meeting commenced at 10.00 am and finished at 11.45 am)

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Chairman