

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 8 JANUARY 2015**

Members in attendance * 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		

Members in attendance and participating
Cllrs J M Hodgson, T R Holway and L A H Ward

Members in attendance and not participating
None

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		S151 Officer, Head of Devon Audit Partnership, Principal Accountant, Democratic Services Manager, Senior Auditor, Grant Thornton Audit Manager, Grant Thornton Engagement Lead

A.22/14 MINUTES

The minutes of the meeting held on 18 September 2014 were confirmed as a correct record and signed by the Chairman.

A.23/14 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.24/14 REPORT ON VALUE FOR MONEY FOR SHDC

The Committee was presented with a report that summarised the findings from Grant Thornton into their work supporting their Value for Money (VfM) conclusion, which was required as part of their statutory external audit responsibilities.

In discussion, the following points were raised:-

- (a) Members expressed their concerns regarding the implications of the welfare reforms, particularly in the context of the budgetary pressures faced by the NHS;
- (b) The Committee was concerned at the comments in the presented agenda report whereby 'the Council did not generate as much income from the arts and tourism as its family group.' In response, the S151 Officer advised that the fact that the Council did not directly provide Tourist Information Centres itself would be part of the reason that income figures looked lower in comparison to the family group. Members were of the view that it would be opportune to re-consider the Council's commitments in these areas, especially when considering the increased corporate onus on income generation. In recognising the need for more extensive analysis of these figures, the Committee requested that the Council's income and expenditure figures for arts and tourism be presented to its next meeting;
- (c) The improvements in workforce sickness performance were welcomed by the Committee;
- (d) When questioned, the S151 Officer confirmed that she would report back to Members on the comments regarding both the 'spending per head of population' and the 'spend on council tax benefits and housing benefits administration per head' being above the average;
- (e) The Committee was of the view that the spend on Sustainable economy appeared to be quite high;
- (f) The Grant Thornton observations in respect of the Audit Committee being very challenging, with all reports receiving thorough consideration, was welcomed by Members.

It was then:

RESOLVED

1. That the Committee thank the External Auditors for their comprehensive report;
2. That the Council notes that 'on all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending March 2014'; and
3. That the Council also notes that the external auditors consider that 'the Council's expenditure on waste management, highways and transport appears high in comparison with similar councils and also that the Council does not generate as much income from arts and tourism as others, but that we have good arrangements for risk management.'

A.25/14 THE ANNUAL AUDIT LETTER FOR SOUTH HAMS DISTRICT COUNCIL

The Committee considered Grant Thornton's Annual Audit Letter, which summarised the key findings arising from the work that they had undertaken at the Council for the year ended 31 March 2014.

In discussion, reference was made to:-

- (a) the certification of grant claims and returns. As an update, Grant Thornton representatives informed that the certification return for the Council had been submitted to the Department of Work and Pensions (DWP) before the deadline and the DWP conclusions were that there was no overriding impact;
- (b) a segregation of duties within the payroll department. The Committee was assured that there was now a segregation of duties within the payroll department whereby one member of staff was no longer wholly responsible for the processing of the entire payroll.

It was then:

RESOLVED

That the report be noted.

A.26/14 PROTECTING THE PUBLIC PURSE FRAUD BRIEFING 2014

A paper was presented which outlined to the Committee the purpose of fraud briefing as follows:-

- To provide an information source to support Members in considering their council's fraud detection activities;
- To extend an opportunity for Members to consider fraud detection performance, in comparison to similar local authorities;
- To give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed; and
- To be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud.

In discussion, the Committee sought clarification on the total detected cases and value of fraud 2013/14 figures. In reply, officers confirmed that there were two main reasons to explain these figures. Firstly, the policy limits set by each council before cautions and penalties could apply varied (the Council had set its limit at £1,000) and there were two particularly complex precautions (amounting to £38,000) which were included in the figures. Taking this into account, the Committee queried if there was merit in reviewing whether the threshold was set at an appropriate level and would welcome receipt of a briefing note, which also included comparative information for neighbouring authorities.

It was then:

RESOLVED

That the report be noted.

A.27/14 SOUTH HAMS DISTRICT COUNCIL AUDIT COMMITTEE UPDATE

The Committee considered a progress report from Grant Thornton which included:-

- a summary of emerging national issues and development that could be relevant; and
- a number of challenge questions in respect of the emerging issues which the Committee could wish to consider.

In discussion, reference was made to:-

- (a) a Grant Thornton paper on topical issues for local government. The Committee noted the comments whereby Grant Thornton had produced a paper which considered 'good practice in councils' approaches to delivering affordable housing' and requested that Members receive a copy. A non-Committee Member proceeded to advise that Totnes Town Council was currently considering investing some monies in affordable and social housing projects and would welcome the opportunity to explore partnership working opportunities with the Council;
- (b) corruption risk. In response to a request, officers confirmed that they would make electronic copies of a report on 'corruption in UK Local Government' available to the Committee;
- (c) parish council audits. A Member highlighted the government's proposed new arrangements for parish council audits and expressed his strong support for the comments of the Audit Commission. The Member was of the view that these comments, which suggested that this would place a much greater burden on parish councils and clerks than was intended, should be endorsed by the Council.

It was then:

RESOLVED

1. That the report be noted;
2. That the Audit Commission's opinion, as expressed in its letter of 17 July 2014 to the Department for Communities and Local Government (DCLG), concerning the complexity of the governments new arrangements for parish council audits be strongly supported, as they will place a much greater burden on parish councils and especially clerks, which will be disproportionate. Therefore, the Committee **RECOMMEND** to the Council that a letter of representation should be sent on behalf of the Council to the DCLG expressing support for this view; and
3. That the Grant Thornton produced paper which considers 'good practice in councils' approaches to delivering affordable housing' be circulated to Members.

A.28/14

INTERNAL AUDIT – REVISION OF AND PROGRESS AGAINST THE 2014/15 PLAN

A report was considered by the Committee which informed of the principal activities and findings of the Council's Internal Audit team for 2014/15 to 30 November 2014 by:-

- providing a summary of the main issues raised by completed individual audits; and
- showing the progress made by Internal Audit against the 2014/15 annual internal audit plan, as approved by the Committee in April 2014 (Minute A.34/13 refers).

In discussion, reference was made to:-

- (a) the decision to remove the Development Control – Enforcement area from the Audit Plan. Such was the nature and profile of this subject matter, some Members questioned whether this should be defined as a 'low risk' and therefore re-instated into the Plan. In reply, officers confirmed that the Audit Plan was an evolving document and that it would be reviewed at the next meeting;
- (b) the potential fraud outlined in the presented agenda report. Officers provided an update on this matter and confirmed that the matter was in hand;
- (c) the recent Audit Committee Member seminar. Those Members who had attended the seminar with Devon Audit Partnership advised that they had found it to be a useful and informative session.

It was then:

RESOLVED

That the progress made against the 2014/15 internal audit plan and the key issues arising be noted.

A.29/14 **STRATEGIC RISK ASSESSMENT – SIX MONTHLY UPDATE**

The Committee considered a report which presented the six-monthly Strategic Risk Assessment update. In so doing, the report included the current corporate strategic risk assessment and a summary of the management and mitigation actions to address the identified risks.

In discussion, reference was made to:-

- (a) the risk matrix. Officers informed that the matrix used by the Council was a recognised industry standard;
- (b) the recycling of leaf sweeping – waste reclassification. The Chairman expressed his concerns at the cost implications to the Council arising from this reclassification by the Environment Agency. As a consequence, the Chairman felt that the Council should write to the Department for Communities and Local Government to express our strongest opposition to such re-classification. In the debate, other Members felt that there were potentially justifiable reasons for this re-classification (e.g. other pollutants within the materials) and concluded that further information should be sought in this regard before a formal recommendation was made to the Council;
- (c) the compost protocol changes. A Member emphasised the potential income stream opportunities related to this risk (e.g. through anaerobic digestion) and hoped that this would be investigated further;
- (d) the officer capacity to deliver programmes and projects and the loss of staff morale risks. The Committee felt that these were both critical risks and should therefore be particularly closely monitored and cited the planning service as an example where officer capacity was noticeably less than it needed to be. In reply, the Committee also noted the comment whereby the transition plan during the T18 Programme needed to be pitched at the right level to ensure the appropriate transfer of knowledge was in place.

It was then:

RESOLVED

That the strategic risks have been reviewed and the Committee would welcome receipt of further information regarding the recycling of leaf sweeping – waste reclassification.

(Meeting commenced at 10.00 am and finished at 11.40 am)

Chairman