

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 31 May 2016 at 5.30 pm

Present

Councillors Mrs J B Binks, Mrs C Collis, R M Deed, R Evans, T G Hughes, F W Letch and R F Radford

Also Present

Councillors C J Eginton and B A Moore

Present

Officers Stephen Walford (Chief Executive), Andrew Jarrett (Head of Finance), Catherine Yandle (Internal Audit Team Leader) and Sarah Lees (Member Services Officer)

Also in

attendance G Daly (Grant Thornton)

1. **ELECTION OF CHAIRMAN (VICE CHAIRMAN OF THE COUNCIL IN THE CHAIR)**

RESOLVED that Cllr R Evans be elected Chairman of the Committee for the municipal year 2016/17.

2. **ELECTION OF VICE CHAIRMAN**

RESOLVED that Cllr F W Letch be elected Vice Chairman of the Committee for the municipal year 2016/17.

3. **APOLOGIES**

There were no apologies for absence.

4. **PUBLIC QUESTION TIME**

There were no members of the public present.

5. **CHAIRMAN'S ANNOUNCEMENTS (00:06:59)**

The Chairman stated that he had made enquiries as to the situation regarding Audit Committee substitutes. He informed the Committee that Cllr B A Moore would be the substitute for the Conservative group and Cllr R Wright would be the substitute for the Liberal Democrats. He requested that Cllr R M Deed contact his Ungrouped colleagues to see if a substitute could be found should he ever be unable to attend a future meeting.

6. **MINUTES OF THE PREVIOUS MEETING (00:08:18)**

The minutes of the meeting held on 15 March 2016 were approved as a correct record and **SIGNED** by the Chairman.

7. INTERNAL AUDIT OUT-TURN REPORT FOR 2015/16 (00:09:10)

The Committee had before it, and **NOTED**, a report from the Internal Audit Team Leader updating it on the work performed by Internal Audit during the 2015/16 financial year.

It was explained that with regard to overdue audit recommendations the position overall had improved tremendously. This time last year 46% of recommendations on 'open' audits were overdue compared to 25% this year. It was the opinion of the Internal Audit Team Leader that the Council's control environment had been, on the whole, adequate and effective in the 2015/16 financial year. Throughout the year four audits had been identified as being poorly controlled but in each area progress had been made since the audit opinion had been issued.

Discussion took place with regard to:

- The need for service managers to prioritise training plans as soon as possible.
- What the main challenges were for internal audit. It was explained that certain situations were more challenging than others and an example was provided of a new manager with no handover period being one. Another was the area of Procurement which was described as being extremely complex and time consuming. A lot of different service managers needed to be trained to use the system.
- The definition of an 'adequate' audit opinion, in some cases Members may not agree with this assessment. The Internal Audit Team Leader stated that it would be useful to have input from Committee Members when she presented her Audit Plan in January regarding this issue.
- All service areas needed to be encouraged to return their surveys after an audit had been completed as they provided useful feedback to the Internal Audit Team.

In conclusion the Chairman thanked the Internal Audit Team for the work that they did. He was pleased to see the number of outstanding audit recommendations continuing to reduce as this was a particular area of focus for this Committee and it would continue to monitor the situation.

Note: * Report previously circulated; copy attached to the signed minutes.

8. INTERNAL AUDIT REPORTS (00:26:57)

It was explained that since the last meeting three internal audits for 2015/16 had been circulated to members of the Committee. These related to Corporate Health and Safety, Main Accounting System and Procurement.

Discussion took place with regard to the Procurement audit:

- Trying to achieve 'best value for money' ought to be the cornerstone of all procurement decisions.
- It was confirmed that any purchases over £1k needed to have three quotes and anything over £50k needed to involve a tendering process. Difficulties were encountered where there may not be three suppliers for a certain product or service.

- There was continued disappointment that some samples taken during the audit had failed to show that three quotes had been obtained for some orders between £1k and £50k.
- Managers are receiving training designed to assist them in managing their budgets with professional advice from Finance and Internal Audits. This would include an emphasis on needing to comply with the financial regulations and the imperative need to achieve best value for money.
- Difficulties encountered when several service managers order from the same supplier taking the overall order total over the threshold, Managers needed to be reminded to check with Procurement and adhere to the financial regulations at all times.
- It was confirmed that the outstanding audit recommendation from 2013 would be resolved by the end of this financial year.

Hard copies of internal audit reports would be sent to those Members of the Committee requesting them. The alternative was to save the document electronically.

Note: The discussion regarding this item had been held in open session; there had been no need to move into Part II.

9. **PERFORMANCE AND RISK OUT-TURN REPORT FOR 2015/16 (00:43:45)**

The Committee had before it, and **NOTED**, a report * from the Head of Communities and Governance providing it with an update on performance against the 2010-15 Corporate Plan and local service targets for 2015-16 as well as providing an update on the key business risks.

The contents of the report were outlined with discussion taking place with regard to the following areas:

- It was pleasing to note that the backlog of food premises inspections was reducing due in part to the recruitment of an Environmental Health Officer.
- Cllr Mrs J Binks urged the Committee to take note of the report produced by the Reviewing the Cost of Efficiencies Working Group, particularly the section regarding the leisure centres which went to Scrutiny on 23 May 2016.
- The subject of 'asbestos' would remain as a potential risk within the report as it was impossible to eliminate it 100%. Any development of a non housing asset would be subject to an inspection and thorough risk analysis prior to the commencement of any works.
- Risk and insurance liability when undertaking grass cutting work on behalf of Devon County Council. Cllr R F Radford, as Chairman of the Managing the Environment Policy Development Group (PDG), requested that clarification regarding the matter be sought and brought to the PDG's attention if necessary.

Note: * Report previously circulated; copy attached to the signed minutes.

10. **ANNUAL GOVERNANCE STATEMENT (01:01:25)**

The Committee had before it, and **NOTED**, a report * from the Head of Communities and Governance presenting the Committee with the draft Annual Governance Statement and accompanying action plan.

It was explained that the document was currently in a draft format and following any feedback from Members of the Committee a finalised version would be brought to the July meeting to be signed off in conjunction with the financial accounts.

Note: * Report previously circulated; copy attached to the signed minutes.

11. **ANNUAL REPORT AND ACCOUNTS 2015/16 (01:06:26)**

The Committee had before it, and **NOTED**, the draft Annual Report and Accounts for 2015/16.

The Head of Finance stated that the draft accounts had been completed ahead of schedule and that the external auditors would be on site the following day to commence their audit. He requested that the Committee hold a special meeting on 15 July to sign off the accounts should the external auditors be in a position to issue their opinion.

Reference was made to a summary within the report showing a list of all available reserves, illustrating that the Council had finished the year in a strong position. It was explained that not many technical changes had been made to the accounts, however, they had been made to look more like private sector accounts with an opening forward containing the key messages.

Discussion took place with regard to:

- The good performance in the area of Council Tax and Business Rate collection with the Council being in the top quartile nationally for collection rates.
- The move to Universal Credit would have an effect upon the Housing Revenue Account.
- The Head of Finance was monitoring whether or not the closure of the Crediton office would have a significant effect upon rent collection, at the moment the effect was minimal.
- Useable reserves continued to remain at the level agreed by full Council.
- Earmarked HRA reserves would be used for new housing and keeping the current stock up to a decent standard.
- The Council had made some investments which were proving to be financially beneficial.
- More commercial activity involved a greater element of risk and this needed to be weighed up before entering any new venture.

The Committee congratulated the Head of Finance and his team on producing a set of draft accounts that were readable, understandable and easily read in electronic format.

Note: * Report previously circulated; copy attached to the signed minutes.

12. **EXTERNAL AUDIT UPDATE (01:24:13)**

The Committee had before it, and **NOTED**, a report from Grant Thornton providing an update on delivering their responsibilities as the Council's external auditors.

It was explained that subject to finding any significant errors within the accounts the external auditors were on track to issue their opinion on the accounts in time for the proposed meeting on 15 July.

It was explained that the external auditors would be looking at the Council's plans for joint ventures and partnership arrangements as they needed to understand where the Council saw itself in two or three years time. The Committee were referred to a publication regarding partnership working in the mental health sector which had important implications for leisure centres, council housing and libraries.

Note: * Report previously circulated; copy attached to the signed minutes.

13. **SPECIAL MEETING TO SIGN OFF THE ACCOUNTS (01:28:30)**

The Chairman stated that the key to being able to sign off the financial accounts had been whether or not the external auditors would be in a position to issue their opinion as well as the draft accounts being ready in time. The external auditors had confirmed, subject to any significant errors being identified in the accounts, they would be able to meet the proposed timescale. It was therefore **AGREED** that a special meeting be held on 15 July to sign off the accounts and the Annual Governance Statement. It was also **AGREED** that all other scheduled meetings remain in place.

Therefore the following Audit Committee meetings would take place over the next two months:

- 28 June at 5.30pm
- 15 July (to commence at a time to be decided on 28 June)
- 26 July at 5.30pm

14. **START TIME OF MEETINGS (01:38:10)**

It was **AGREED** to continue to meet at 5.30pm on Tuesday evenings.

15. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:38:53)**

The following items were requested to be on the agenda for the next meeting on 28 June 2016:

- Internal Audit Progress Report
- Internal Audit Charter
- Appointment of new External Auditors
- Financial Contract and Procedure Rules
- Start time for the Special Meeting on 15 July 2016

(The meeting ended at 7.10 pm)

CHAIRMAN