

## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of a Meeting of the Audit & Governance Committee held at Knowle, Sidmouth on 25 June 2015**

#### **Attendance list at end of document**

The meeting started at 3.30pm and ended at 4.55pm.

#### **\*1 Chairman's welcome**

The Chairman welcomes everyone to the meeting. He paid special thanks to the previous Chairman Ken Potter. He paid tribute to Ken's great drive to promote the importance of the Audit and Governance Committee to make it centre stage in the Council's work. The Council owed him a great deal of thanks for this service.

The Chairman introduced the Vice-Chair Cllr Dean Barrow.

#### **\*2 Public Speaking**

There was no public speaking.

#### **\*3 Minutes**

The minutes of the Audit and Governance Committee meeting held on 5 March 2015 were confirmed and signed as a true record.

#### **\*4 Declarations**

None

#### **\*5 Audit and Governance - Terms of Reference**

The key functions of Audit and Governance were highlighted. These would be referred to for financial and other matters affecting the residents of East Devon. The Chairman suggested that all members on the committee keep a copy for future meetings.

#### **RESOLVED:**

that the terms of reference were noted.

#### **\*6 Audit Plan/Audit Committee update**

Members considered the report of Grant Thornton who provided the Council with a report on progress in delivering responsibilities as their external auditor. Progress as at the year-end 31 March 2015 included: the Audit Plan and Audit and Governance update. The key challenges and opportunities facing the Council were:

- Shared Services
- Non-Domestic rates (NDR) accounting and appeals
- Office relocation
- Local Government Finance Settlement

The audit was designed around specific risks and 2 had been identified:

1. The revenue cycle includes fraudulent transactions
2. Management over-ride of controls.

Other risks identified were:

1. Operating expenses
2. Staff remuneration

Value for Money work would be undertaken to identify areas of risk. Work in the following areas to address the risks identified was:

- review the Council's medium term financial planning regarding plan to balance budgets and responsiveness to changes
- review the transition of ICT services to Strata and savings achieved
- consider sickness absence and effect on service delivery

There was discussion on the office relocation expenses; Grant Thornton stated all expenses were clearly shown.

Barrie Morris, Director from Grant Thornton highlighted other issues from the Audit and Governance committee update report.

- The second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' provided insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.
- 'Spreading your wings' was the first in a series on alternative delivery models in local government. This report focused on how to set up a local authority trading company and how to make it successful.
- Inspection into the governance of Rotherham Council looking at functions on governance, children and young people and taxi and private hire licensing. Discussion around this case included the impact of this through licensing with members being assured that thorough checks were made on all taxi drivers in East Devon. Where drivers come from outside the EU, their prospective embassies were asked to do checks.

The Chairman thanked Barrie for the reports.

**RESOLVED:**

1. that the contents of the Audit Plan/Audit Committee update be noted;
2. that the Value for Money conclusion be reported to the Committee in September.

**\*7 Annual Audit Plan**

Members considered the report of Jo George, Assistant Director, SWAP. As a key element of its Governance arrangements the Council had a partnership arrangement with South West Audit Partnership (SWAP) to deliver an annual internal audit plan. The Assistant Director for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team produced an Audit Plan for 2015-16 that was presented for approval by the Audit and Governance Committee in March 2015.

The plan was approved, subject to the following resolution:

*“that the Internal Audit Plan 2015/16 include consideration of the value of Consultants Fees and also whether members were receiving the right level of detail and information in officer reports to make worthwhile decisions.”* The revisions to the 2015/16 Audit Plan had now been made and were re-presented to the Committee for Approval. These included the addition of the following Audits:

- Use of Consultants
- Committee Decisions.

These audits replaced the audit on Regeneration, which had been removed from the Audit Plan as risks were now lower but would be relooked at be over the coming year if this changed.

**RESOLVED:**

that the revisions to the Internal Audit Plan of 376 days for April 2015 to March 2016 be approved.

**\*8 Internal Audit Charter**

The internal audit service, provided by the South West Audit Partnership Ltd (SWAP), worked to a charter that defined its roles and responsibilities and the roles and responsibilities of the District Council's managers to show transparency and delivery. Best Practice in corporate governance require that the Charter be reviewed and approved annually by the Audit and Governance Committee. The Charter was last reviewed by the Audit Committee at their meeting on 26 June 2014.

The report aims was to obtain endorsement from Members for the revised Internal Audit Charter for this current year. Only minor updates (such as job titles) had been made to the Charter since it was approved by the Committee last June.

**RESOLVED:**

that the Internal Audit Charter be approved.

**\*9 Annual Opinion report**

This report provided the outturn position for the Internal Audit Plan at the end of 2014/15 and also the Internal Audits overall opinion on the systems of internal control at East Devon District Council. The Audit and Governance Committee agreed the 2014/15 Internal Audit plan at its March 2014 meeting. An update was provided for Quarters 1 and 2 in September 2014 and Quarter 3 in January 2015. This report was the final outturn position at the end of Quarter 4.

Discussions included the delay in the production of some reports and the lead-time taken to commission reports. Jo suggested report writers be given advanced warning of at least one month. David Hill, SWAP stated it was difficult to collect Audit Partnerships benchmarking figures from the private sector because of commercial sensitivity. However benchmarks against audit services within local government were available.

**RESOLVED:**

that the content of the Internal Audit Annual Report and Opinion be noted.

**\*10 Year end full Risk Review 2014/15**

Members considered the report of the Management Information Officer; the Committee monitored high strategic and operational risks outside the bi-annual reporting (March/September). Members were told that risk owners were expected to review high risks on a monthly basis.

To acquire consistency in approach refresher training had been completed for risk owners since the last review. Offices accepted that risk descriptions needed to have plenty of detail of what was involved.

Discussions include:

- Concerns why Exmouth Town Hall lone working scores were lower than Landlord services.
- The question of risks for relocation – it was explained that the office relocation had its own risk review in place. The Management Information Officer had a summary of

this review; the Chairman requested this be reported to the committee at the next meeting.

The Chairman thanked the Management Information Officer for her report.

**RESOLVED:**

1. that the report be noted
2. that a summary of the relocation risk review be reported at the meeting in September.

**\*11 Draft Annual Governance Statement – year ended 31 March 2015**

The Council had a duty to comply with its Code of Corporate Governance to which there were 6 key principals:

1. Focus on purpose of the Council, vision for local area and outcomes for the community.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values and upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions scrutinised and risk managed.
5. Developing capacity of Members and Officers to be effective.
6. Engaging with local people to ensure public accountability.

A final governance statement would be reported back to the committee in September once members had made comments to the draft statement. The Strategic Lead, Finance went through the scope of responsibility and explained the annual review would check the effectiveness of the governance framework. Improvements in governance arrangements were the new post of Corporate Counter Fraud & Compliance Officer. There was a report going to the next Cabinet meeting on the recent tribunal and ICO decisions.

SWAP audit recommendations during the year included three areas worth including in this Statement because of their nature:

- A review and update of the Council's Business Continuity Plan.
- Formal review of the Emergency Planning Service and ensure an up to date service level agreement is in place which reflects the Council's priorities.
- The need to adopt a social housing anti-fraud policy and that action is taken to ensure the editing of notes on the housing choice based letting system (Home Connections) is no longer possible.

The length of time taken on the Graham Brown investigation was raised. The Strategic Lead, Finance confirmed that SWAP had undertaken testing in the area of planning and risk of influence that could be placed on decisions made but this was in relation to controls in place to prevent fraud in general rather than an investigation into an individual's activities.

The 5 Year Land Supply and its monitoring was discussed, the committee structure and who was accountable for this was still ongoing. It was suggested this was put on the forward plan for future discussion. The Chairman requested assurance that the Council has a 5 Year Land Supply at all times and a mechanism on how to manage and monitor this. Members were not sure if this committee could ensure this but suggested it be taken up with the Overview of Scrutiny committees. An update of this situation was requested for the next Audit and Governance meeting.

**RESOLVED:**

1. that the draft statement be noted
2. that a final governance statement would be reported back to the committee in September
3. that the Planning Policy Manager update the committee on the position of the 5 Year Land Supply and its monitoring for the September meeting.
4. that the Chief Executive urgently addresses how the 5 Year Land Supply is monitored and which committee bears that responsibility.

**\*12 Annual Revenue and Capital Outturn report 2014/15**

This final outturn report had been discussed recently at Cabinet; the Audit and Governance committee would finally agree these accounts in September 2015. Cabinet had agreed various recommendation and it was hoped that this committee would do the same.

**RESOLVED:**

1. that the outturn 2014/15 position be noted and that the Cabinet decision be endorsed.
2. that the level of Reserves detailed in the report and the transfers recommended be agreed; namely;
  - a) The transfer of £0.941m from the General Fund into the Capital Reserve
  - b) The transfer of £0.619m into the NNDR Volatility Fund
  - c) The Transfer of £0.500m from the Housing Revenue Account into the HRA Business Plan Volatility Reserve.
  - d) The Transfers to other earmarked reserves for specific projects where funding contributions have been made in advance of spend and monies are held at year end to fund this work in future years. The Outturn Book contains full details of these transfers in 2014/15.

**\*13 Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2015/16, which was updated during the meeting. The Planning Policy manager's 5 Year land supply update would be added to the Committee Forward Plan for September 2015. The risk review for the office relocation would be added for November 2015 as well as a quarterly review.

**RESOLVED:**

that the updated Forward Plan be noted.

**\*14 Annual audit fee letter 2015/16**

The Strategic Lead, Finance reported a reduction in fees over the last four years and the change of auditors later in the year was because of a government initiative. It was good practice to swap external auditors; Grant Thornton had been the auditors for over five years. The length of KPMG's contract was to be confirmed.

**RESOLVED:**

that the Annual audit fee letter 2015/16 be noted.

**Attendance list**

**Present:**

Councillors  
Mark Williamson (Chairman)  
Dean Barrow (Vice Chairman)  
John Dyson  
Steve Gazzard  
Steve Hall  
Ben Ingham  
Bill Nash

Geoff Jung  
Megan Armstrong  
Ian Thomas, Portfolio Holder Finance

**Apologies:**

John Humphreys  
Mark Williams

**Officers:**

Simon Davey, Strategic Lead – Finance  
Joanne Avery, Management Information Officer  
Amanda Coombes, Democratic Services Officer

Jo George, Assistant Director, South West Audit Partnership (SWAP)  
David Hill, South West Audit Partnership (SWAP)  
Kristian Hawkes, South West Audit Partnership (SWAP)  
Barrie Morris, Director, Grant Thornton

Chairman ..... Date.....