

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 20 JUNE 2019**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
∅	Cllr L Austen (Vice-Chairman)	*	Cllr J T Pennington
*	Cllr J Brazil	*	Cllr B Spencer
*	Cllr T R Holway (Chairman)	*	Cllr B Taylor
*	Cllr J McKay		

Members also in attendance:
Cllrs V Abbott, H D Bastone, N A Hopwood, D W May and J A Pearce

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Chief Executive; Section 151 Officer; Finance HOP Lead; Internal Audit Manager; Support Services Specialists Manager; Monitoring Officer; and Senior Specialist – Democratic Services

A.1/19 MINUTES

The minutes of the meeting of the Committee held on 21 March 2019 were confirmed as a correct record and signed by the Chairman.

A.2/19 URGENT BUSINESS

The Chairman advised that he had no urgent items to be raised at this meeting.

A.3/19 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.4/19 GRANT THORNTON AUDIT PROGRESS REPORT

The Committee considered a paper from Grant Thornton that provided an update on progress in delivering their responsibilities to the Council as its External Auditors.

In the ensuing discussion, the following points were raised:-

- (a) Members welcomed the fact that Grant Thornton had found no issues that it felt were necessary to bring to the attention of the Committee;
- (b) It was noted that Grant Thornton had identified one Value for Money risk (that related to 'informed decision-making – financial challenges'). As a result, Grant Thornton had requested that the Grant Thornton Audit Plan be re-included on this meeting agenda (Minute A.5/19 below refers) as a follow up to its previous consideration at the Committee meeting of 31 January 2019 (Minute A.38/18 refers).

It was then:

RESOLVED

That the contents of the Grant Thornton Audit Progress Report be acknowledged.

A.5/19 GRANT THORNTON AUDIT PLAN

Members considered a document that provided an overview of the planned scope and timing of the statutory audit of the Council.

In discussion, the Committee noted those significant risks that had been identified and was informed that the annual Grant Thornton Fraud report was intended to be presented to the Committee meeting on 25 July 2019 to report back to Members on the conclusion of the audit of the accounts and the Value for Money opinion.

It was then:

RESOLVED

That the contents of the Grant Thornton Audit Plan be acknowledged.

A.6/19 GRANT THORNTON EXTERNAL AUDIT FEE LETTER

Members were presented with the Audit Fee Letter from Grant Thornton.

Whilst welcoming the considerable recent reductions in Audit Fees that were paid annually by the Council, the Committee was advised that this had been partly offset by officers now being required to provide additional support to Grant Thornton as part of their External Audit work.

It was then:

RESOLVED

That the contents of the External Audit Fee Letter be noted.

A.7/19

DRAFT STATEMENT OF ACCOUNTS 2018/19 AND DRAFT ANNUAL GOVERNANCE STATEMENT 2018/2019

The Committee was presented with a report that presented the Draft Statement of Accounts for 2018/19 and the Draft Annual Governance Statement for 2018/19.

In discussion, reference was made to:-

- (a) levels of Earmarked Reserves. Officers advised that it was ultimately a decision for Members to determine what they considered to be a prudent level of Earmarked Reserves. It was then noted that the next review of Earmarked Reserves was due to take place in September 2019 as part of the Council's Medium Term Financial Strategy;
- (b) Section 106 Deposits. Members requested a breakdown of the Section 106 Deposits be circulated to the Committee outside of this meeting;
- (c) the Servaco Limited Trading Company. The Section 151 Officer informed that officers would be producing a future report that would seek approval to formally close down Servaco Limited;
- (d) the removal of 100% Business Rate Relief on the letting of self-catering holiday homes. Following the decision of Council at its meeting on 6 December 2018 (Minute 47/18(a) refers), the Section 151 Officer was in the process of writing to her colleagues from those local authorities that had similarly high proportions of self-catering holiday homes to ask them whether they wished to join the Council in lobbying Central Government to close this loophole. In addition, the Committee noted that officers would be attending the upcoming Local Government Association Annual Conference and they were intending to lobby at this event. When questioned, officers confirmed that the closure of this loophole would generate an additional £220,000 for the Council;
- (e) the main budget variations in Commercial Services. Such was the extent of the variances, that Members stated the importance of these being closely monitored;
- (f) the additional planning income generated in 2018/19. Officers advised that early indications for 2019/20 were suggesting a downturn in planning income and it was felt that the additional monies generated in 2018/19 were a one-off and therefore not part of a recurring trend.

Members were also reminded that, as part of the 2019/20 Budget Setting process, support was given to the addition of a Level 5 Specialist within the Development Management service (that was to be funded through planning income). As part of this approval, the Council also requested that a *'further service capacity review be undertaken by the Overview and Scrutiny Panel six months after this additional resource takes up their post'*;

- (g) the work of the Finance Community Of Practice (COP). Members paid tribute to the achievements of the Finance COP in meeting the requirement to publish the Council's Accounts before the end of May 2019.

It was then:

RESOLVED

1. That the draft Statement of Accounts and the Draft Annual Governance Statement for the financial year ended 31 March 2019 be noted;
2. That the Committee elect to present in other comprehensive income changes in the fair values of all equity instruments including the CCLA investments in accordance with IFRS9 – Financial Instruments, with effect from 1 April 2018; and
3. That it be noted that delegated authority has been exercised by the Section 151 Officer to transfer £30,000 of additional planning income received in 2018/19 to the Planning Policy and Major Developments Earmarked Reserve.

A.8/19

ANNUAL REPORT OF THE STATUTORY OFFICERS' PANEL (2018-2019)

A report was presented to the Committee that informed Members of the work that the Statutory Officers' Panel had carried out over the last Financial Year (April 2018 to March 2019).

In discussion, the following points were raised:-

- (a) Officers and Members alike recognised the value and effectiveness of the Panel;
- (b) Members were reminded that a joint South Hams and West Devon Member Workshop to review the Shared Corporate Risk Register had been arranged to take place on Wednesday, 10 July 2019 at 1.30pm.

It was then:

RESOLVED

That the Annual Report of the Statutory Officers' Panel be approved.

A.9/19 INTERNAL AUDIT ANNUAL REPORT 2018/19

Consideration was given to a report that informed Members of the principal activities and findings of the Council's Internal Audit team for 2018/19 to 31 March 2019 by:

- providing a summary of the main issues raised by completed individual audits;
- showing the progress made by Internal Audit against the 2018/19 annual internal audit plan, as approved by the Committee in March 2018; and
- providing an opinion on the adequacy of the Council's Control Environment.

During discussion, the following points were raised:-

- (a) In recognising the value of the Internal Audit Team, some Members highlighted that a number of management responses made reference to a lack of resources. As a result, these Members questioned whether this was always wholly accurate or, in some instances, was actually due to inefficient working practices. The Internal Audit Manager responded that it was not within the remit of the Team to provide an opinion on the adequacy of resource levels. However, if it was felt to be worthwhile, the Team would be happy to be involved in the upcoming capacity audit of the organisation;
- (b) With regard to the Business Continuity Plans (BCP) Audit, the Committee noted that Internal Audit was content with the progress being made. In addition, officers confirmed that a follow-up audit was currently being undertaken. Also, it was widely acknowledged that a BCP could not cover every eventuality, however the specific risks around IT resilience were deemed so important that the Overview and Scrutiny Panel was to receive an update report at its next meeting on 11 July 2019.

It was then:

RESOLVED

That the Audit Committee note:

1. that, overall and based on work performed during 2018/19 and of our experience from previous year's Audit, the Head of Internal Audit's Opinion is of 'Substantial Assurance' on the adequacy and effectiveness of the Authority's Internal Control Framework; and
2. the satisfactory performance and achievements of the Internal Audit Team during 2018/19.

A.10/19 **PROPOSED COMMITTEE WORKPLAN FOR THE 2019/20 FINANCIAL YEAR**

In considering its Annual Workplan, the Committee made reference to:-

- (a) the wish for the 'Six Monthly Update – Strategic Debt Review' agenda item to include reference to aged debtors;
- (b) the value of all Committee Members attending the South West Audit Partnership and Devon Audit Partnership sponsored training session at Buckfast Abbey on 1 October 2019 was emphasised.

(Meeting commenced at 10.00 am and finished at 11.35 am)

Chairman