

AUDIT COMMITTEE

Minutes of the Meeting held on 1 July 2014 at 2.30 pm

Present:

Councillor E MayVice Chairman (In the Chair)

Councillor M J Chilcott
Councillor D J Sanders

Councillor D Ross
Councillor K V Kravis

Officers in Attendance

Assistant Director – Corporate Services (R Sealy)
Principal Accountant/Deputy Section 151 Officer (S Plenty)
Efficiencies and Performance Manager (K Batchelor)
Meeting Administrator (R Bryant)

Also in Attendance

Peter Barber, Associate Director, Grant Thornton
Claire Hodgson, Audit Manager of South West Audit Partnership (SWAP)
Alastair Woodland, Audit Manager of SWAP

A1 Apologies for Absence

The Chairman (Councillor S Goss) and Councillor M O A Dewdney

A2 Minutes

(Minutes of the Meeting of the Audit Committee held on 24 March 2014 –
circulated with the Agenda.)

RESOLVED that the Minutes of the Audit Committee held on 24 March 2014,
be confirmed as a correct record.

A3 Declarations of Interest

No interests were declared.

A4 Public Participation

No members of the public had requested to speak on any item on the Agenda.

A5 Audit Committee Action Plan

(Audit Committee Action Plan, circulated with the Agenda.)

Noted that there were no resolutions/recommendations from the meeting held
on 24 March 2014 that required monitoring.

A6 Audit Committee Forward Plan

(Copy of the Audit Committee Forward Plan circulated with the agenda.)

RESOLVED that the Audit Committee Forward Plan published 21 March 2014, be noted.

A7 South West Audit Partnership Governance Arrangements

(Report No. WSC 90/14, circulated with the Agenda.)

The purpose of the report was a proposal to change the West Somerset Council "Director" to the South West Audit Partnership (SWAP) to reflect the responsibilities of the new Joint Management Team (JMT).

The Assistant Director – Corporate Services reported that SWAP Limited had come into being in April 2013. The governance structure for the new company required each Authority to provide a Member representative to the Members Board and an Officer Director to the Company Board.

To date, representation at officer level to the Company Board, had been undertaken by the Principal Accountant. Clearly with the new JMT in place the Council needed to amend the directorship to reflect the new roles and responsibilities.

RESOLVED that Full Council be recommended to approve the nomination of:-

- i) The Assistant Director – Resources as the Council's Director on the Board of SWAP; and
- ii) The Assistant Director – Corporate Services as the Alternate Director.

A8 Debt Analysis – As at 31 March 2014

(Report No. WSC 91/14, circulated with the Agenda.)

The purpose of the report was to provide the Committee with an update on the level of debts outstanding to the Authority as at 31 March 2014.

The Principal Accountant introduced the report which detailed the different streams of debt owed as follows:-

- Corporate Debts - £410,207. The old debt figures (over 1 year) remained on a par when compared to the previous year and the recovery of these debts, which included County Court action, continued to work well.
- Housing Benefit Debts - £497,264. This income stream had shown the greatest year on year improvement. The in-year collection rate had risen to 47.07% (target 43% - 2012/13 collection rate 43.70%).
- Council Tax Debts - £1,237,461. Levels of overall debt had increased with balances subject to court action at year end increasing from

£786,000 to £812,000. This was reflected in the collection rate decreasing from 97.53% in 2012/2013 to 96.90% in 2013/2014.

- Business Rates Debts - £375,386. Levels of overall debt had dropped slightly. However, balances subject to court action at year end remained constant at around £120,000. This was reflected in the collection rate increasing from 97.90% in 2012/2013 to 98.40% in 2013/2014.

The Committee noted with concern that the report proposed that debt analysis and monitoring information should be reported through Scrutiny and Cabinet in the future rather than through the Audit Committee. After a short discussion, Members were of the view that this would not be acceptable and requested that debt analysis continued to come before the Committee.

RESOLVED that:-

- i) The information contained within the report be noted; and
- ii) Debt analysis and monitoring information be continued to be reported to the Audit Committee which would make recommendations, as appropriate, to other Committees.

A9 **Internal Audit Annual Report and Opinion**

(Report No. WSC 92/14, Circulated with the Agenda.)

The purpose of the report was to provide a review of the Internal Audit activity for the period April 2013 to March 2014 and an opinion to support the Annual Governance Statement.

The Audit Manager, SWAP, reported that of the eight reviews that had had an Assurance Opinion, two had been given 'Partial Assurance', two had returned a favourable opinion of 'Reasonable Assurance' and four with 'Substantial Assurance', something that had been commended by SWAP.

Overall, SWAP had been able to offer 'reasonable assurance' in respect of the areas reviewed during the year as the majority were found to be adequately controlled.

RESOLVED that the Internal Audit Annual Report and Opinion be noted.

A10 **Review of Effectiveness of Internal Audit**

(Report No. WSC 93/14, Circulated with the Agenda.)

The purpose of the report was to inform Members of the recent review of the delivery of Internal Audit through the South West Audit Partnership (SWAP) during 2013/2014.

The report was introduced by the Audit Manager who explained that the review which had been carried out by the Director – Operations had found that the SWAP team had performed well during the year. A table showing the overall

performance of the service compared to previous years was submitted for the information of Members.

The report also set out the minimum standards of service which would be applied in the future and details of actions to be completed in 2014/2015.

During the discussion of this item the following points were made:-

- SWAP was a limited company – but who owned the company?
- The figures in the last column of the table submitted were queried; specifically why, with the number of actions agreed by Managers being significantly lower, this was not reflected in the cost?
- Which audits had been deferred? In response, the two deferred audits were Asset Management and Partnerships.
- What was the 'Audit Universe'?

RESOLVED that the findings of the review be noted.

A11 External Audit (Grant Thornton) Update Report.

(Report No. WSC 94/14, circulated with the Agenda.)

The purpose of the report was to provide Members with an update regarding the work of the external auditors, Grant Thornton, together with information relating to emerging national issues which might be relevant to the Council.

With regard to the latter, the issues highlighted were the 2013/2014 Code for valuing property and assets and changes to the Local Government Pension Scheme were highlighted.

During the discussion, various points were made about the Pension Scheme and it was agreed that further information from the Pension Service could be provided to Members at a later date.

RESOLVED that the report be noted.

A12 External Audit Fees 2014/2015

(Report No. WSC 95/14, circulated with the Agenda.)

The purpose of the report was to provide Members with details of the fees Grant Thornton was proposing to charge for the external audit service it would provide to the Council during the current financial year.

The indicative audit fee was £67,750. This amount was split between the fee for the main audit of £55,800 (which remained unchanged from last year) and the grant certification work of £11,950.

RESOLVED that the report be noted.

A13 **Significant Changes to the Accounting Requirements for the 2013/2014 Accounts**

(Report No. WSC 96/14, circulated with the Agenda.)

The purpose of the report was to update the Committee on the significant changes which would be applicable to the Statement of Accounts 2013/2014 and the associated disclosures and restatements which had resulted.

The report was presented by the Principal Accountant who highlighted two significant changes to the Code of Practice on Local Authority Accounting which had been made, one of which had resulted in a 'prior-period adjustment'. The changes related to:-

- a) Accounting for Pension Interest Costs in Relation to Current Service Cost and Pension Administration Costs; and
- b) Interest Costs in relation to Current Service Cost.

Full details of these changes were submitted including an Appendix to the report which detailed the Prior Year Adjustments. It was acknowledged that an alteration to one of the figures in the section titled Changes to the Comprehensive Income and Expenditure Statement was required.

RESOLVED that the changes set out in the report be noted which would be reflected in the accounts for 2013/2014.

A14 **Annual Governance Statement 2013/2014**

(Report No. WSC 89/14, circulated with the Agenda.)

A draft of the Annual Governance Statement was presented to Members by the Efficiencies and Performance Manager prior to its signature by the Leader of the Council and the Chief Executive.

RESOLVED that the content of the draft Annual Governance Statement be approved.

A15 **Annual Treasury Management Review 2013/2014**

(Report No. WSC 97/14, circulated with the Agenda.)

The purpose of the report was to review the treasury management activity and the performance against the Prudential Indicators for the 2013/2014 financial year, as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice and in accordance with the Council's Treasury Management Strategy and Annual Investment Policy.

The Principal Accountant presented the report together with the Annual Treasury Outturn Report 2013/2014 which had been prepared by the Council's Financial Advisors, Arlingclose.

Noted that a number of figures contained in section 3, 'The Borrowing Requirement and Debt Management' and in Appendix B required amendment as reported at the meeting.

RESOLVED that the Treasury Management activity for the 2013/2014 financial year be noted.

The meeting closed at 4.05 pm.