

## **AUDIT COMMITTEE**

### **Minutes of the Meeting held on 6 July 2015 at 2.30 pm in the Council Chamber, Williton**

#### **Present**

Councillor R P Lillis.....Chairman  
Councillor T Venner.....Vice Chairman

Councillor D Archer  
Councillor N Thwaites

Councillor R Thomas  
Councillor R Woods

#### **Member in Attendance**

Councillor M Chilcott

#### **Officers in Attendance**

Director of Operations and Deputy CEO/S151 (S Adam)  
Assistant Director - Corporate Services (R Sealy)  
Corporate Strategy and Performance Manager (P Harding)  
Finance Manager (S Plenty)  
Senior Debt and Recovery Officer (S Perkins)  
Principle Revenues and Debt Recovery Officer (D Emery)  
Democratic Services Officer (A Randell)

#### **Also in Attendance**

Peter Barber, Associate Director, Grant Thornton  
Sarah Crouch, Executive, Grant Thornton  
Alastair Woodland, Audit Manager, South West Audit Partnership (SWAP)  
Mandy Chilcott.

Richard Sealy clarified that he was in attendance solely in the capacity as the Assistant Director – Corporate Services.

#### **A.1 Minutes**

(Minutes of the Meeting of the Audit Committee held on 23 March 2015, circulated with the Agenda)

**RESOLVED** that the Minutes of the Audit Committee held on 23 March 2015, be confirmed as a correct record.

**A.2 Declarations of Interest**

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

<b>Name</b>	<b>Minute No.</b>	<b>Member of</b>	<b>Action Taken</b>
Cllr D Archer	All	Minehead	Spoke and voted
Cllr R Thomas	All	Minehead	Spoke and voted
Cllr N Thwaites	All	Dulverton	Spoke and voted
Cllr T Venner	All	Minehead	Spoke and voted

**A.3 Public Participation**

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

**A.4 Audit Committee Action Plan**

There were no recorded actions from the last meeting on 23 March 2015.

**A.5 Audit Committee Forward Plan**

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

**RESOLVED** that the Audit Committee Forward Plan, be noted.

**A.6 Grant Thornton – External Audit Plan 2014/2015**

(Report No. WSC 99/15, circulated with the Agenda).

The purpose of this report was to provide the Audit Committee with details of the external auditor's plan for the audit work they had undertaken in respect of the 2014/2015 financial year.

Specifically, this audit work focussed on the provision of an audit opinion in relation to the accounts, value for money and associated key risks.

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

- Discussion took place relating to the variances on cuts between the different types of local authorities. On the whole, smaller Councils were facing more challenging reductions in cuts in percentage terms.
- The risks associated with the £28 million in Hinkley C preparation project detailed in the report were discussed. Assurance was given that this would be accounted for and recorded in the financial statement.

- The fees detailed in the report were considered and the reported reduction was welcomed.

**RESOLVED** that the report be noted.

**A.7 Grant Thornton - External Audit Fees 2015/2016**

(Report No. WSC 100/15, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with details of the fees for the external audit service for 2015/2016.

The key points were summarised as follows:-

- 1) The indicative audit fee for 2015/2016 was £49,521. This amount was split between the fee for the main audit of £42,525 and the grant certification work £6,996.
- 2) Overall this represented a reduction of £18,229 from the previous year. The reduction in fees had been enabled by procurement exercises run by the commission across both the Local Government and Health sectors.
- 3) The billing schedule was detailed and the audit timetable outlined.

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

- Would the reduction in fees impact on the ability to deliver the same service? Assurance was given that the reduction in fees was the result of an offset in costs which had been borne by the Audit Commission.
- The fee setting arrangements had changed to ensure comparison of fees with similar authorities. A commitment had been given by Central Government that every Council could go externally to procure auditors.
- Comment was given that the fees of some authorities had decreased enormously as they were in a better position to negotiate.
- Negotiations were taking place relating to re-tendering across Somerset with the potential to combine with other authorities for the delivery of the service.
- It was recognised that work was still needed to be done to ensure that accounts were processed fairly, in addition to considering if there are better processes and ways of doing things.
- Members requested appropriate action in the renegotiation of the service to reduce any potential chance that the rates were increased again.

**RESOLVED** that the update report be noted.

**A.8 External Audit (Grant Thornton) Update Report.**

(Report No. WSC 101/15, circulated with the Agenda)

The purpose of the report was to provide the Audit Committee with a progress update regarding the work of the external auditors, Grant Thornton, in relation to the 2014/15 financial year together with

information relating to emerging national issues which might be relevant to the Council.

The Audit Manager summarised the key points as:-

- 1) The report provided the Audit Committee with details of the progress made in delivering the responsibilities of the external auditors;
- 2) Work that was being progressed included 2014/15 final accounts audit, Value for money conclusion and 2014/15 certification work;
- 3) Provision for Business Rate appeals were detailed along with lodged appeals and utilisation of provision.

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

- Discussion took place relating to the implementation of the spare rooms subsidy, with instances of pensioners unable to downsize due to the lack of smaller and suitable alternative accommodation.
- The ability of Legal Services and Building Control to grow and generate additional income was considered.
- Members were given reassurance that arrears were monitored regularly and figures on this presented.
- The benefits of trading companies and opportunities to be more commercial was discussed. It was determined that benefits in terms of savings could be significant.

**RESOLVED** that the report be noted.

#### **A.9 SWAP Internal Audit – Review of Effectiveness**

(Report No. WSC 103/15, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the recent review of the effectiveness of the delivery of Internal Audit through SWAP (South West Audit Partnership) during 2014/2015.

- 1) The plan for 2015/2016 had been approved by the Joint Management Team; and
- 2) As with previous years the plan would have to remain flexible.

The key points were summarised as:-

West Somerset Council's review of Internal Audit had been carried out by the Director of Operations (the Councils Section 151 Officer). The findings were reported as part of the overall evaluation and supporting evidence for the Annual Governance Statement. The following criteria had been used in the evaluation:-

- Annual Report and opinion of the Head of Internal Audit;
- Audit plan and monitoring reports;
- Reports on significant findings;

- Key performance measures and service standards;
- View of the Councils External Auditor covering the extent of reliance placed on internal audit work on key financial systems.

It was found that overall the team performed well and that this view was supported by the comments of external auditors and client satisfaction.

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

- The cost allocation was discussed. The cost was calculated as a percentage of hours allocated therefore there was a fixed cost per audit day worked for the authority;
- Work was being done in improving ways of presenting audit reports to the Committee. Working with SWAP had been successful, and in many instances they had been able to look wider than both Councils in addition to sharing best practice from controls to best practice. It was considered if internal and external audit work could be combined in future to save costs.
- Councillors shared a level of concern on the resilience of the service since a recent restructure. At present the service was trading at a surplus. This could be used to recruit additional support in times of high demand to help through the transformation process.

**RESOLVED** that the findings of the review of effectiveness of internal audit for 2014/2015.

#### **A.10 Internal Audit – Annual Opinion Report for 2014/2015**

(Report No. WSC 102/15, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the Annual Opinion Report 2014/2015 from Internal Audit.

The Accounts and Audit regulations 2011 required public authorities to publish an Annual Governance Statement (AGS). The statement was an annual review of the systems of Internal Control and gathered assurance from various sources to support it.

The Head of Internal Audit had provided a report to support the AGS and this included the following:-

- An opinion on the overall adequacy and effectiveness of the organisations risk management systems and internal control environment.
- Disclosure of any qualifications to that opinion, together with the reasons for the qualification.
- Presentation of a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies.
- Drawing attention to any issues the Head of Internal Audit judged particularly relevant to the preparation of the AGS.
- Comparing the work actually undertaken with the work that was planned

and summarising the performance of the internal audit function against its performance measures criteria.

- Comments on compliance with these standards and communicating the results of the internal audit quality assurance programme.

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

- Had the effectiveness and ability to work with the Council following the JMASS project had any impact?
- Members were informed that there had been an impact in the timing of work, however not on the quality of the work done. Any work that was yet to be delivered would be picked up.
- Discussion took place relating to the improvement of internal control along with the risks and assurances relating to this which was detailed in the report.

**RESOLVED** that the Internal Audits Annual Opinion report be noted.

#### **A.11 Draft Annual Governance Statement 2014/2015**

(Report No. WSC 114/15, circulated with the Agenda).

The purpose of this report was to submit the draft Annual Governance Statement for review and to recommend its approval by the Leader of the Council and the Chief Executive.

The Corporate Strategy and Performance Manager summarised the key points as:-

- (1) The Annual Governance Statement provided an account of the processes, systems and records in place during 2014/2015 which demonstrated assurance of the effectiveness of the framework of governance of the district council to discharge its responsibilities; and
- (2) Following the JMASS project along with the joining together of the officer structure which led to a saving of £1,802,000 being delivered and despite the scale and pace of the change, no new corporate risks had been identified by the Council's Auditors (South West Audit Partnership).

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

- The document was a live document that was constantly changing. It was requested for there should be more focus on the delivery rather than governance and audit being the motivation.
- Due to the amounts of money involved audit work was needed to be undertaken to go through and check the basics.
- Discussion took place on merging computer systems with WSC and TDBC. There would be a big benefit from this which would enable audits to be completed more quickly and for less outlay.

**RESOLVED** that the contents of the draft Annual Governance Statement be

noted and that the Leader of the Council and the Chief Executive be recommended to adopt the document.

#### **A.12 Annual Treasury Management Review 2014/2015**

(Report No. WSC 105/15, 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 2014/2015 financial year as prescribed by the revised CIPFA code of practice and in accordance with the Council's Treasury Management Strategy and Annual Investment Policy.

The Director of Operations summarised the key points as:-

- As at 31 March 2015, WSC's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £5,663,000, while usable reserves and working capital which were the underlying resources available for investment were £4,198,000;
- As at March 2015, WSC had £1,000,000 of borrowing and £12,166,000 of investments. The Authority's current strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.
- The Council had adopted a strategy of using new capital receipts to reduce the CFR, with £1,800,000 used for this purpose in 2014/2015, and a further £1,700,000 projected reduction through the use of receipts in 2015/2016.

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

- The Hinkley Point Section 106 Agreement money would be kept separate from other Section 106 funds.
- Surplus balances were to be kept in reserve in an account which generated interest.
- Confirmation was given that tax would not have to be paid on capital gains.

**RESOLVED** that the Treasury Management Activity for the 2014/2015 financial year be noted.

#### **A.13 Debt Analysis Report – As at 31 March 2015**

(Report No. WSC 106/15, circulated with the Agenda)

The purpose of the report was to provide the Audit Committee with an update on the levels of debts outstanding to the Authority as at 31 March 2015.

The Senior Debt and Recovery Officer summarised the key points as:-

- The newest debts (less than three months) showed a significant reduction. Much of this reduction was as a consequence of an invoice for £167,293 that was paid by Taunton Deane Borough Council in April. If this amount was

disregarded, WSC retained a comparable figure with the previous year at £81,000.

- The oldest debts (over six months) showed a healthy decrease of £23,000 in comparison to the previous year.
- The chasing of these old debts through both the teams that issued the invoices and the recovery service continued to work well. In extreme cases when payment was not made, a County Court Judgement was obtained. This further course of action was at the discretion of the Senior Recovery Officer after liaison with the service area and/or the legal department. The exception to this related to Housing debts, where after initial recovery action it was current Council policy to pursue further anything over £450 through the County Court and write off anything below this amount.
- For the whole financial year, a total of £32,645.70 has been written off against old corporate debts, with the majority of cases being Housing debts. To put this amount in context over £1,400,000 was raised in invoices each year.
- It was confirmed that 100% of the £32,645.70 had been charged to the write off provision already included in the authority's Statement of Accounts. This amount also included a high individual write off from Economic Development of £13,024 for a company that had ceased trading so no longer could be pursued. In accordance with the Council's Financial Regulations this large write off had been agreed by Cabinet.

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

- Members questioned if the authority was insured against write offs.
- Enforcement agents were used as a last resort and had a set amount of fees that were charged. Confirmed that debts held were not franchised or sold off.
- Officers were commended for the collection rates and service that had been provided. These were amongst the best in the country.
- Systems had been put in place to make checks when payments had not been received, with reminder letters along with final payments.
- Payment timescales were 28 days, anything over this time period was an overdue payment.

**RESOLVED** that the report be noted.

The meeting closed at 4.55 pm.