

## **AUDIT COMMITTEE**

### **Minutes of the Meeting held on 19 June 2018 at 2.00 pm in the Council Chamber, Williton**

#### **Present**

Councillor R Lillis.....	Chairman
Councillor R Woods.....	Vice-Chair
Councillor P Pilkington	Councillor K Mills
Councillor N Thwaites	Councillor R Thomas

#### **Officers In Attendance**

Corporate Strategy and Performance Officer (R Doyle)  
Head of Financial Services and Deputy S151 Officer (A Stark)  
Democratic Services Officer (C Rendell)

#### **Also In Attendance**

Sarah Crouch, Manager, Grant Thornton  
Alastair Woodland, Assistant Director, South West Audit Partnership (SWAP)

#### **A.1 Apology for Absence**

An apology was received from Councillor T Venner.

#### **A.2 Minutes**

(Minutes of the Meeting of the Audit Committee held on 26 March 2018, circulated with the Agenda)

**RESOLVED** that the Minutes of the Audit Committee held on 26 March 2018, be confirmed as a correct record.

#### **A.3 Declarations of Interest**

<b>Name</b>	<b>Minute No.</b>	<b>Member of</b>	<b>Personal or Prejudicial</b>	<b>Action Taken</b>
Cllr P Pilkington	All	Timberscombe Parish Council	Personal	Spoke and voted
Cllr R Thomas	All	Minehead Town Council	Personal	Spoke and voted

#### **A.4 Public Participation**

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

#### **A.5 Audit Committee Action Plan**

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

There were four recorded actions from the last meeting on 26 March 2018, all of which had been resolved.

Members queried whether the information on Hinkley Point C, which reported on whether local people were adequately trained, had been received. The information had been sent to the Committee but would be circulated again.

**RESOLVED** that the Audit Committee Action Plan be noted.

#### **A.6 Audit Committee Forward Plan**

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

The Assistant Director for SWAP noted that the Audit Plan 2019/20 and Audit Charter would be reported to the Shadow Council Corporate Governance Committee in March 2019 rather than to the Audit Committee and Corporate Governance Committee.

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

#### **A.7 Grant Thornton External Audit – Audit Fees**

(Report No. WSC 47/18, circulated with the Agenda).

The purpose of the report was to detail the fee forecast for external audit services in 2018/19.

Each year the Council's external auditors, Grant Thornton, provided details of the forecast fees to be charged for the main audit and the grant certification work which related to the current year.

The fees letter detailed the fees and the schedule of payments. Grant Thornton had also provided an outline audit time table which showed their phased work plan. Any additional audit work, outside of the planned audit and grant certification work would be billed separately and would be an addition to the fee quoted.

The main audit fee was £32,744 (which was a reduction of 23% compared to £42,525 for 2017/18). This did not include the fee for the grant certification work which had yet to be set. However, during the meeting, the fee was reported to be £11,091.37. The fee for last year was £6,996.

During the discussion of this item the following point was made:-

- Members requested clarification on how the figures had been calculated and how they would be affected when the New Council was formed.  
*The Public Sector Audit Appointments Ltd prescribed that 'scale fees were based on the expectation that audited bodies were able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'. The scale fee covered: the audit of the financial statements; the work to reach a conclusion on the economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and the work on the whole of government accounts return. The same calculation would be used when the New Council was formed.*

**RESOLVED** that the Committee noted the report from the External Auditor.

**A.8 Grant Thornton External Audit – Audit Update**

(Report No. WSC 48/18, circulated with the Agenda).

The purpose of the report was to update Members of the work carried out by our external auditors, Grant Thornton. Specifically the report provided an update in relation to their work for the 2017/18 financial year and also provided an update in relation to emerging national issues.

The Audit Manager highlighted two sections of the report:-

- The Vibrant Economy Index, a new way to measure success. The Vibrant Economy Index used data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. The Auditors wanted to start a debate about what type of economy people wanted to build in the United Kingdom (UK) and spark a collaboration between citizens, businesses and place-shapers to make their places thrive.
- Financial sustainability of local authorities 2018. The National Audit Office report reviewed financial sustainability across Local Government and examined whether the Ministry of Housing, Communities and Local Government, along with other departments with responsibility for local services, understood the impact of funding reductions on the financial and service sustainability of local authorities.

During the discussion of this item the following point was made:-

- Members requested that where a report was generic to both the West Somerset Audit Committee and the Taunton Deane Corporate Governance Committee, it was important that the headings were made clear in the report.

**RESOLVED** that the Committee noted the report from the External Auditor.

**A.9 SWAP Internal Audit – Audit Plan 2017/18 Outturn**

(Report No. WSC 49/18, circulated with the Agenda).

The purpose of the report was to update Members on the Internal Audit Plan 2017/18 progress and bring to their attention any significant findings identified through the work.

The Assistant Director for SWAP presented the report and informed the Committee there had been no changes to the Audit Plan since the last update in March 2018.

There were only two audits that had not been marked as final. Those were both for ICT and related to Back Ups and Cyber Security. This was due to a delay in receiving the information needed to carry out the audits.

SWAP had been asked to review and report on key areas of the Transformation Project. The key areas were:-

- Strategic Framework (Governance and delivery of key Transformation Themes);
- New Council Governance;
- Business Process Re-engineering; and
- Benefits Realisation Management.

In August 2017, the Data Protection audit report issued a partial assurance. Within the follow up audit carried out in March 2018, there were still some outstanding actions, the following had been completed:-

- Data Protection modules made mandatory for all employees;
- All forms to include privacy notices and direction to the privacy statement on the websites; and
- Staff awareness of statutory timescales for responding to Subject Access Reports.

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

- Members queried how did the Council hold information with regards to the new General Data Protection Regulations.  
*There was a new operating model that had set out how to hold information and how to be compliant. Officers hoped to encrypt all information in the future and ensure that documents were only stored in one location instead of multiple versions of the same document being stored in different locations.*
- Members were concerned about the information they held on constituents.  
*Other Members suggested that they should store their information on the Council's network rather than their personal server.*
- Members requested clarification on the scores given on the Internal Audit Work Plan.  
*The scores were defined in the report and explained by the Assistant Director for SWAP.*
- Members queried why Parking Maintenance had been given a partial rating.  
*The review had been followed up and was no longer a partial rating.*

**RESOLVED** that the Committee noted the report from the Internal Auditor.

#### **A.10 SWAP Internal Audit – Annual Report**

(Report No. WSC 50/18, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the Annual Opinion Report 2017/18 from Internal Audit.

In the 2017/18 Audit Plan, there was a total of twenty reviews planned. All except one were at report stage and whilst no reviews had received substantial assurance, nine had received reasonable assurance.

After consideration of the balance of audit work in 2017/18 and the assurance levels provided, along with the profile of each audit and the outcomes, the Assistant Director for SWAP offered a Reasonable Assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled.

The Secretary of State for Communities and Local Government had now approved the formation of a New Council. There would be significant challenges and risks ahead to ensure the process was delivered successfully. Acceptable risk taking would be required to deliver the Transformation Projects successfully and maintain services to an acceptable standard.

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

- Members queried who received the Fraud Bulletins.

*The Bulletin was sent to the S151 Officer and other Key Officers. They were not sent to Members, however, the Assistant Director for SWAP would send Members an example.*

- Members queried the SWAP Performance Targets and how well did West Somerset Council (WSC) and Taunton Deane Borough Council perform against them?  
*There was a mixed result but on the whole, both Councils received an average performance target.*
- Members queried whether enough time was allocated to Audit or should the working practice be reviewed.  
*It was a subjective process and additional days could be added if required. Due to the joint working practices, both Councils had benefitted and would continue to once the New Council was formed.*
- Members thanked officers for all their hard work especially during the Transformation process.

**RESOLVED** that the Committee noted the report from the Internal Auditor.

#### **A.11 Review of Effectiveness of Internal Audit**

(Report No. WSC 51/18, 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 during 2017/18.

WSC's review of Internal Audit had been carried out by the Council's Section 151 Officer. The findings had been reported and were used within the overall evaluation and would provide evidence for the Annual Governance Statement. The following criteria were used in the evaluation:-

- Annual report and opinion of the Assistant Director of SWAP;
- Audit Plan and monitoring reports, reports on significant findings, key performance measures and service standards; and
- View of the Council's External Auditor which covered the extent of reliance placed on the internal audit work on key financial systems.

The following details of the overall performance of the service during the year were given:-

- Level of satisfaction from feedback questionnaires was 89%;
- The average cost of an audit day for SWAP remained unchanged at £280;
- In total 85% of the Audit Plan for 2017/18 had been delivered by 31 March 2018. SWAP were committed and on track to deliver 100%;
- There were no new high priority recommendations in 2017/18; and
- The outturn position for SWAP showed (net income) a £4,834 budget surplus and a £16,513 actual surplus.

**RESOLVED** that the Committee noted the report.

#### **A.12 Annual Governance Statement 2017/18**

(Report No. WSC 52/18, circulated with the Agenda).

The purpose of the report was to prepare an Annual Government Statement (AGS) to

be transparent about compliance with good governance principles. This included reporting on how officers had monitored and evaluated the effectiveness of their governance arrangements in the previous year, and setting out any planned changes in the coming period.

The report outlined the changes to the format of the Statement as recommended in the good practice guidance and set out a review of actions from last year's Statement and a proposed set of actions for the 2018/19 year.

Best practice now required that Statements gave greater prominence to:-

- An opinion on the Council's governance arrangements from the Council's senior managers and the Leader of the Council;
- A review of the effectiveness of the Council's governance arrangements;
- A review of the action plan from last year's statement; and
- An action plan for 2018/19.

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

- Concern was raised on the term 'risk takers' used in the report.  
*Officers wanted to empower staff to make decisions that were low risk or identify risks. The wording would be amended.*
- Concern was raised on the Transformation process and the generic way of working that had been proposed. Members were concerned on the amount of knowledge staff would hold.  
*Staff would be trained in the areas required and would be placed into roles that suited their capabilities.*

**RESOLVED** that the Committee noted the report.

### **A.13 2017/18 Treasury Management Outturn Report**

(Report No. WSC 53/18, 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 2017/18 financial year.

The Council was required to receive and approve a minimum of three main reports each year. These were the Treasury Management Strategy Statement, a Mid-Year Update and an Outturn Report, which incorporated a variety of policies, estimates and actuals.

There following developments were highlighted within the report. In February, Arlingclose had advised against lending to Northampton County Council because they had issued a section 114 notice in the light of severe financial challenges. In March, again following advice from Arlingclose, the Council removed RBS Plc and National Westminster Bank from its counterparty list because the long-term ratings did not meet the minimum criterion.

The Officer also advised the Committee that the average cash balance during the year was £19,695,000 which included Hinkley funds. The UK Bank Rate had increased from 0.25% to 0.50% in November 2017, which was the first rate increase in ten years.

During the discussion of this item the following point was made:-

- Members suggested that when inflation was high, it was a better time to borrow and invest in projects.

*There were funds set aside for investment in projects.*

**RESOLVED** that the Committee noted the report.

#### **A.14 Assessment of Going Concern Status**

(Report No. WSC 54/18, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the Assistant Director - Strategic Finance and Section 151 Officer's assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2017/18.

The concept of a 'going concern' assumed that an Authority, its functions and services, would continue in operational existence for the foreseeable future. This assumption underpinned the accounts drawn up under the local authority Code of Accounting Practice and was made because local authorities carried out functions essential to the local community and were themselves revenue-raising bodies.

If the assessment determined that the Council was not a 'going concern', particular care would be needed in the valuation of assets, inventories and property, plant and equipment might not be realisable at the book values and provisions might be needed for closure costs or redundancies.

It was considered that with regards to the Council's arrangement and factors that were highlighted in the report, the Council remained a 'going concern' until at least July 2019.

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

- Members queried why assurance was only given until July 2019.  
*The S151 Officer could only give an assurance for one year after the accounts were closed.*
- Members were positive that assurance had been given.
- Members collectively agreed that they would be sad to see the close of WSC, but were happy that the Council would survive as a joint authority.

**RESOLVED** that the Committee noted the report.

(The meeting closed at 4.35pm)