

AUDIT COMMITTEE

Minutes of the Meeting held on 20 June 2017 at 2.00 pm in the Council Chamber, Williton

Present

Councillor Peter Pilkington
Councillor R Thomas
Councillor R Woods

Members In Attendance

Councillor A Kingston-James
Councillor A Trollope-Bellew

Officers In Attendance

Corporate Strategy and Performance Officer (R Doyle)
Assistant Director – Resources (P Fitzgerald)
Principal Corporate Accountant (S Plenty)
Democratic Services Officer (C Rendell)

Also In Attendance

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

A.1 Appointment of Chairman

RESOLVED that Councillor R Thomas be appointed Chairman of the Audit Committee for the duration of the meeting.

A.2 Apologies for Absence

Apologies were received from the Chairman (Councillor R Lillis) and Councillors K Mills, N Thwaites and T Venner.

A.3 Minutes

(Minutes of the Meeting of the Audit Committee held on 20 March 2017, circulated with the Agenda)

RESOLVED that the Minutes of the Audit Committee held on 20 March 2017, be confirmed as a correct record.

A.4 Declarations of Interest

Name	Minute No.	Member of	Personal or Prejudicial	Action Taken
Cllr R Thomas	All	Minehead Town Council	Personal	Spoke and voted
Cllr A Kingston-James	All	Minehead Town Council	Personal	Spoke
Cllr A Trollope-Bellew	All	Crowcombe Parish Council	Personal	Spoke

A.5 Public Participation

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

A.6 Audit Committee Action Plan

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

There were three recorded actions from the last meeting on 20 March 2017, all of which had been resolved.

RESOLVED that the report be noted.

A.7 Audit Committee Forward Plan

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

The Manager from Grant Thornton requested that the Final Accounts (Annual Government Statement) was removed from the Forward Plan for the meeting to be held on 18 September 2017.

RESOLVED that the Audit Committee Forward Plan, with the requested amendments, be noted.

A.8 Grant Thornton External Audit – Audit Fees

(Report No. WSC 60/17, circulated with the Agenda).

The purpose of the report was to detail the fee forecast for external audit services in 2017/2018.

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 £42,525 (which was the same as 2016/2017). This did not include the fee for the grant certification work which had yet to be set. The fee for last year was £8,963.

RESOLVED that the Auditor's update report be noted.

A.9 Grant Thornton External Audit – Audit Update

(Report No. WSC 61/17, 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 2016/2017 financial year and also provided an update in relation to emerging national issues.

The Audit Manager for Grant Thornton outlined the external auditor's progress as at 31 May 2017. The auditors listed their key outputs and had issued their fees letter in April 2017. The Audit Plan for 2016/2017 had been included in their report brought to the last Audit Committee. This demonstrated the planning they had undertaken and interim work carried out before providing a more detailed plan as to how they would discharge their responsibilities.

The auditors had started work on the Taunton Deane Borough Council (TDBC) accounts and once the West Somerset Council (WSC) accounts were submitted, works would be carried out in parallel with TDBC.

The Audit Manager highlighted the three sub criteria for the Value for Money conclusion:-

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

The Audit Manager for Grant Thornton introduced a report called The Board: creating and protecting value. The report detailed that in all sectors, boards were increasingly coming under pressure from both the market and regulators in terms of effectiveness and accountability. To build upon the success of their cross sector audit committee effectiveness survey 'Knowing the Ropes', the Grant Thornton Governance Institute had extended its research which looked at the effectiveness of boards across the corporate, public and not for profit sectors.

The report raised key questions that all boards should ask themselves to challenge their effectiveness. Their organisations operated in different sectors and were subject to a variety of statutory and governance requirements, but they all shared a common overriding principle: the governing body was a collective charged with developing the organisation's purpose.

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

- Detailed in the Income Spectrum were objectives to create vibrant economies. Could we use car park income to fund other projects?
Car park income was split into two sections, on-street and off-street. Both of which had different rules on what excess income made from parking charges could be spent on. Guidance as to the application of these rules had previously been distributed to Members and would be distributed again.

RESOLVED that the Auditor's update report be noted.

A.10 SWAP Internal Audit – Audit Plan 2017/2018 Outturn

(Report No. WSC 62/17, circulated with the Agenda).

The purpose of the report was to update Members on the Internal Audit Plan 2016-2017 progress and bring to their attention any significant findings identified through the work.

The Associate Director for SWAP presented the report and informed the Committee on the changes to the Audit Plan that had occurred since the last update in March 2017.

In addition to the Transformation Programme audit being deferred to the 2017/2018 plan and the ICT back up routine audit being replaced by the review on the ICT desktop support, both of which were reported at the previous meeting, the Healthy Organisation audit had been replaced to accommodate the audit on the Somerset Building Control Partnership (SBCP).

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

- Concern was raised on the Building Control audit. Members had requested feedback from the SBCP at the last meeting and had not received any information.
The Democratic Services Officer confirmed that the information had been received from the SBCP and had been circulated to Members of the Committee. This would be re-circulated to Members. The Associate Director for SWAP confirmed that the SBCP audit was due to be followed up over the next three months and the results would be reported back to the Committee at a future date.

RESOLVED that the progress made in the delivery of the 2016/2017 Internal Audit Plan and significant findings be noted.

A.11 SWAP Internal Audit – Annual Report

(Report No. WSC 63/17, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the Annual Opinion Report 2016-17 from Internal Audit.

The Annual Report gave the opinion of the Assistant Director on the adequacy and effectiveness of internal control, governance and risk management within WSC. Internal Audit had not reviewed all risks and assurances that related to WSC and could not provide absolute assurance on the internal control environment. Their opinion was derived from the completion of the risk based internal audit plan and was one source of assurance on the adequacy of the internal control environment.

For the 2016/2017 Audit Plan for WSC there would be a total of eighteen reviews delivered. In agreement with management, which were previously reported to the Audit Committee, some reviews had been exchanged or removed due to the need to respond to new and emerging risks that had been identified.

All the reviews, except for two, had been completed. Of the eighteen 2016/2017 reviews, thirteen had returned opinions and only two had received partial assurance. There had been two reviews that had received a substantial assurance and that was highly commendable and nine reviews had also received reasonable assurance.

The Assistant Director had considered the balance of audit work in 2016/2017, the assurance levels provided, profile of each audit and outcomes together with the response from Senior Management and offered reasonable assurance in respect of the areas reviewed during the year.

There was only one high risk identified in the Audit Review and this was Licensing and the fees that were charged. This had now been rectified and was no longer a corporate risk.

Internal audit was responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing that was set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards. SWAP had carried out an assessment in 2016 and was found to be in full conformance with the standards.

RESOLVED that the Internal Audit Annual Opinion Report be noted.

A.12 Review of Effectiveness of Internal Audit

(Report No. WSC 64/17, 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 2016/2017.

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 84%;
- The average cost of an audit day for SWAP remained unchanged at £280;
- In total 83% of the Audit Plan for 2016/2017 had been delivered by 31 March 2017. SWAP were committed and on track to deliver 100%;
- There were no new high priority recommendations in 2016/2017; and
- The outturn position for SWAP showed (net income) a £37,617 budget surplus and a £7,698 actual surplus.

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

- Members highlighted that in parts of the report TDBC was mentioned and reminded officers that this Committee was for WSC.
Officers apologised and admitted to the typing errors.
- The Assistant Director for Resources thanked SWAP and their officers for all the hard work they had carried out over the past year.

RESOLVED that the findings of the review of effectiveness of internal audit for 2016/2017 be noted.

A.13 2016/2017 Treasury Management Outturn Report

(Report No. WSC 65/17, 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 2016/2017 financial year as prescribed by the revised 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 Council was required to receive and approve a minimum of three main reports each year. These were the Treasury Management Strategy Statement, a Half Year Update and an Outturn Report, which incorporated a variety of policies, estimates and actuals.

The following points were a summary of the Treasury Management activity throughout the year:-

- At 31 March 2017, West Somerset's underlying need to borrow for capital purposes which was measured by the Capital Financing Requirement was £5,347,000, whilst useable reserves and working capital which were the underlying resources available for investment were £10,825,000;
- At 31 March 2017, West Somerset had no external borrowing and had £16,885,000 of investments, of which £10,874,000 were in respect of Hinkley Section 106 Agreement funds managed by the Council; and
- The Authority's current strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.

Effective management of the Council's cash flow, investments and borrowing arrangements were an important part of the governance, risk management and financial control arrangements. The Council managed significant cash flows on a daily basis and used appropriately skilled staff within the Finance Team to monitor and manage these within the parameters set by the Council through the Treasury Management Strategy. The Council was also supported in delivery of its treasury management arrangements through advice from external treasury management advisors Arlingclose.

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

- Members queried the risk taken with some of the funds, in particular the Hinkley money.
An explanation was given on how the Finance Team invested the funds and what schemes were used.

RESOLVED that the Treasury Management activity for the 2016/2017 financial year be recommended to Full Council for approval.

A.14 Annual Governance Statement 2016/2017

(Report No. WSC 66/17, 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.

Good practice guidance from CIPFA had led to changes to the format of this year's Statement. Previously the Council's AGS included a good deal of description about the Council's governance arrangements in addition to providing a set of actions and an opinion on the Council's governance.

The best practice now required that Statements shed the description in order to give 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 2017/2018.

The conclusions from the review was that overall the Council's governance framework was reasonable and fit for purpose.

RESOLVED that the draft Annual Governance Statement was reviewed and recommended for adoption by the Leader of the Council and the Chief Executive.

(The meeting closed at 2.45pm.)