

AUDIT COMMITTEE

Minutes of the Meeting held on 26 March 2018 at 2.00 pm in the Council Chamber, Williton

Present

Councillor K Mills.....Vice-Chairman in the Chair

Councillor R Lillis
Councillor N Thwaites
Councillor T Venner

Councillor P Pilkington
Councillor R Woods

Officers In Attendance

Assistant Director for Corporate Services (R Sealy)
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

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

A.41 Apology for Absence

An apology was received from Councillor R Thomas.

A.42 Minutes

(Minutes of the Meeting of the Audit Committee held on 4 December 2017, circulated with the Agenda)

RESOLVED that the Minutes of the Audit Committee held on 4 December 2017, be confirmed as a correct record.

A.43 Declarations of Interest

Name	Minute No.	Member of	Personal or Prejudicial	Action Taken
Cllr P Pilkington	All	Timberscombe Parish Council	Personal	Spoke and voted
Cllr N Thwaites	All	Dulverton Town Council	Personal	Spoke and voted
Cllr T Venner	All	Minehead Town Council	Personal	Spoke and voted

A.44 Public Participation

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

A.45 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 4 December 2017, all of which had been resolved.

RESOLVED that the Action Plan be noted.

A.46 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.47 Grant Thornton External Audit – Certification Report

(Report No. WSC 20/18, circulated with the Agenda).

The purpose of the report was to certify certain claims and returns submitted to West Somerset Council (WSC). This certification typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

The claim and return submitted by the Council totalled £12,700,000. This was a significant financial matter for the authority and proper arrangements were in place to meet the conditions of the grants. The report indicated that a qualification had been made in respect of the Housing Benefit Scheme Claim.

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

- The Vice-Chair in the Chair thanked the Finance Team for their hard work and praised the result that had been achieved.

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

A.48 Grant Thornton External Audit – Audit Plan

(Report No. WSC 22/18, circulated with the Agenda).

The purpose of the report was to introduce the External Audit Plan for 2017-2018. This was prepared by our external auditors, Grant Thornton. The report summarised their approach to the 2017-2018 audit programme, work completed to date, work to follow and the auditors view on risk.

The significant risks that required specific audit consideration had been identified:-

- Valuation of Net Pension Liability; and
- Valuation of Property Plant and Equipment.

The planned materiality had been determined to be £409,000, which equated to 1.8% of the gross expenditure for the prior year. The Auditors were obliged to report uncorrected omissions or misstatements other than those which were trivial to those charged with governance.

The risk assessment had identified that the Medium Term Financial position, which included the Transformation Programme and proposal for a New Council, to be the significant risk in the value for money assessment.

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

- Concern was raised on the Transformation Project and Medium Term Financial Plan and were the Auditors aware of the delay in the Project.
The External Auditors would look at Transformation over the next couple of months and the realisation of savings. They would report back to the Committee in July 2018.
- Concern was raised on the recharge from Taunton Deane Borough Council (TDBC) and whether there was an error last year.
The recharge would be checked but should not affect the value for money result.
- Concern was raised on what would happen to the Audit Work Plan once the New Council was formed in May 2019.
The External Auditors confirmed that they would carry out the work required and clarified how the process would operate if the New Council was formed on 1 April 2019.
- Members requested that they worked together with the TDBC Committees so they could gather information on what was reported to their Members prior to the formation of the New Council.
- Concern was raised that the External Auditors had lost the Local Government contracts.
The External Auditor advised the Committee that they had had the contract for several years, however, there had been an increased market share and they had lost the contract for Parish Councils.
- Members queried whether the auditor's fees would be reduced when the New Council was formed.
The expectation would be that year one would cost more, however, less than if it were two Councils and then the fees would reduce from year two onwards.
- Members queried if the External Auditors needed more days allocated for their work once the New Council was formed.
This was difficult to quantify.

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

A.49 Grant Thornton External Audit – Audit Update

(Report No. WSC 21/18, circulated with the Agenda).

The purpose of the report was to provide a regular update report for the Audit Committee by our external auditors, Grant Thornton. Specifically the report provided an update in relation to their work for the 2017-2018 financial year and also provided an update in relation to emerging national issues.

The results of the interim audit work were summarised by the following points:-

- Entity level controls which included organisational structure and human resources policies and practices;
- Walkthrough testing on the Council's controls that operated in areas at risk of

material misstatement to the financial statements;

- Journal entry controls; and
- Early substantive testing on property plant and equipment and housing benefit expenditure.

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

- Members queried how the External Auditor would be affected by the General Data Protection Regulations (GDPR).
The External Auditors were aware that they accessed, collated and stored sensitive data. They would need to ensure they had the appropriate data sharing compliance in place.
- Members highlighted that auditors were keen on commercialism but WSC appeared to be behind the times due their financial circumstances.
The External Auditors were aware that due to austerity, some Councils were risk adverse, when they need to be risk aware. They highlighted some cases of extreme borrowing that other Councils had undertaken.
- Concern was raised on the delay in the reports for budget monitoring.
This was caused by the introduction of the new finance system used at TDBC. Staff had experienced problems with the system which meant that they could not input the data required to extract the reports necessary for budget monitoring. This had now been resolved.
- Members queried how the valuation of assets was processed.
Clarification was given and information that there was a fixed asset register which was updated every five years.
- Members queried would there be a 'fresh' valuation carried out prior to the formation of the New Council.
The External Auditors would give a qualification before the register was signed off and the Councils joined, which would give the officers a baseline to work from.

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

A.50 SWAP Internal Audit – Progress Report 2017-2018

(Report No. WSC 23/18, circulated with the Agenda).

The purpose of the report was to update the Audit Committee of the Internal Audit Plan 2017/2018 progress and bring to their attention any significant findings identified through their work.

Overall good progress had been made on the Audit Plan 2017-2018. As agreed with the Audit Committee where a review had a status of final and had been assessed as partial or no assurance, more information would be provided to inform Members of the key issues identified. Since the December 2017 update, there were no partial assurance reviews.

Since December 2017 there had been one change to the Internal Audit Plan 2017-2018. The Development Control audit had been dropped. This was to reflect the same change at Taunton Deane Borough Council (TDBC). Due to the level of change that WSC were faced with, the time for the audit was allocated to the 2018-2019 plan to support time on the Transformation review.

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

- Members requested information on the term 'follow up' audit.
Clarification was given.
- Members queried why the Development Control audit had been dropped.
Officers had decided to drop this audit due to the review not being carried out in TDBC. The time would be allocated to the 2018-2019 Audit Plan.

RESOLVED that the Committee noted the progress made in the delivery of the 2017-2018 internal audit plan and the significant findings.

A.51 SWAP Internal Audit – Audit Plan 2018-2019 and Audit Charter

(Report No. WSC 24/18, circulated with the Agenda).

The purpose of the report was to inform the Audit Committee of the proposed work to be undertaken by SWAP during 2018-2019 and to seek approval of the Internal Audit Charter which set out the nature, role, responsibility, status and authority of internal auditing within WSC and to outline the scope of the internal audit work.

WSC's audit plan for 2018-2019 was based on 167 days plus a further 10 days that were carried over from the Development Control work. The plan was broken down as follows:-

- Key Financial Control (46 days);
- Governance, Fraud and Corruption (32 days);
- Transformation (40 days);
- IT Audit (16 days);
- Operational Audits (6 days);
- Follow Up Audits (2 days); and
- Management Time (35 days).

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

- Members queried what 'Business Process Engineering' meant.
The Internal Auditor confirmed that this was the new IT system Firmstep that would work on self-serve processes.
- Members requested clarification on the Homelessness Reduction.
The Internal Auditor confirmed that there had been a new IT application used by staff in the Housing Department that had reduced the amount work not the amount of homelessness people.

RESOLVED that Members noted and approved the 2018-2019 internal audit plan and internal audit charter.

A.52 Corporate Risk Management Update

(Report No. WSC 25/18, circulated with the Agenda).

The purpose of the report was to update the Audit Committee on the corporate risks which were being managed by the Joint Management Team (JMT).

There were currently fifteen strategic risks identified and approved by JMT, these included twelve joint risks, one WSC risk and two TDBC specific risks.

The WSC specific risk related to Hinkley Point C and that the development could have

an adverse impact on the local environment, tourism, accommodation, highways and failure to realise the economic and social opportunities which the development could bring.

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

- Concern was raised on the amount of work to be done in the future on the implementation of GDPR.
- Members queried the risk highlighted on Hinkley Point C and that local people were not adequately trained to gain employment on the project. *The officers would request that the Assistant Director for Energy Infrastructure report back on this.*
- Concern was raised on the risk highlighted on Political Leadership and Member Engagement and the debate that had occurred at the Special Council meeting held the week prior to the Audit Committee. *The Corporate Strategy and Performance Officer would reword the risk description. The Audit agenda was published prior to the Special Council meeting.*
- Members were not sure whether all the corporate risks had been identified and requested that the recommendation be amended for the next Committee meeting.

RESOLVED that the Committee:-

- a) Noted the current position in relation to the identification and tracking of corporate risk and discuss any areas of concern with officers present; and
- b) Debated whether all necessary corporate risks had been identified.

A.53 Corporate Governance Action Plan

(Report No. WSC 26/18, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the progress made against the Annual Governance Statement Action Plan.

The Corporate Strategy and Performance Officer informed the Committee that there were two actions on the Plan. These were for:-

- A review on the approach to the risk management culture. To research and consider risk appetite statements, improved manager's perception of risk and to take into account good practice; and
- To prepare the Corporate Governance process for Transformation and the possibility of a new Council.

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

- Members suggested that the 1 April 2019 would be a positive start date for the New Council especially with the elections scheduled for May 2019.
- However, some concern was raised that Elected Members would not be in place to govern the Authority in the interim period. *Officers explained that there would be a Shadow Council in place for the interim period but would request further clarification from the Senior Transformation Project Lead.*

RESOLVED that the Committee noted the current progress in relation to completing

the actions identified within the Annual Governance Statement.

A.54 Overdue High Priority SWAP Audit Actions

(Report No. WSC 27/18, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with a position statement on the SWAP audit recommendations for West Somerset Council, which were assessed as high and very high priority, where the agreed action was overdue.

The Corporate Strategy and Performance Officer presented the report and highlighted the Priority 4 and 5 audit actions that affected WSC, where the agreed remedial action was overdue. On this occasion there were seven Priority 4 actions which were overdue but zero overdue Priority 5 recommendations.

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

- Officers confirmed they had completed the work on Contract Bribery and would distribute the results to the Committee.
- Officers also confirmed that the two priority four actions on Asset Management 2014-2015 follow up work, had now been completed and would be removed.

RESOLVED that the Committee reviewed the overdue actions.

A.55 General Data Protection Regulation Action Plan Update

(Report No. WSC 28/18, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the actions being taken by the Council in preparation for the implementation of the new General Data Protection Regulations (GDPR) which come into force on 25 May 2018 and the associated Data Protection Act 1998, which was currently working its way through Parliament.

The new legislation covered virtually an organisation or individual who collected and processed personal data. It not only applied to the Council, but Elected Members who collected data as part of their role as a Councillor.

GDPR provided individuals with a number of new rights and emphasised a number of existing rights. The keys rights are summarised below:-

- The right to be informed;
- The right of access;
- The right to rectification;
- The right to erasure;
- The right to restrict processing; and
- Rights in relation to automated decision making.

In order to ensure the rights were being respected and enforced, the GDPR regulations also brought in a number of key changes, which organisations must comply with. These were summarised below:-

- Data Breaches;
- Consent;

- Subject Access Requests;
- Increased fines;
- Privacy Impact Assessments; and
- Data Protection Officer.

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

- Members agreed that the new legislation was appropriate for larger organisations, however, it would cause lots of work for smaller places and individuals.
- Members queried whether there was an appointed Data Protection Officer. *Yes, the Assistant Director for Corporate Services covered the role as it was a requirement under the new regulations. He would work with each department on the information they held.*
- Members requested training to keep them up to date on the new rules. *The officers were in the process of arranging some mandatory Member Briefings to update all Members on the GDPR, which would be led by SWAP.*
- Members queried would they be legally bound to the GDPR if they did not attend the training. *Yes. The GDPR was Government Legislation and applied to all.*
- Concern was raised on whether the GDPR would still be used within the United Kingdom after 'Brexit'. *Officers confirmed that the GDPR would still be used to enable trade within the European Union.*
- Members highlighted that there was £3,500,000 of funding available to help implement the GDPR. *Officers confirmed the funding was for smaller organisations.*
- Members queried if the GDPR apply to individuals. *Yes and it would be a criminal offence to be in breach of the new regulations. Senior Management would deal with any data breaches within the Authorities.*

RESOLVED that the Committee noted the actions taken in order to comply with GDPR.

A.56 Prudential Code and Treasury Guidance 2018

(Report No. WSC 29/18, circulated with the Agenda).

The purpose of the report was to update the Audit Committee on CIPFA's new versions of its Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities.

The report also included an update on the published revised guidance from the Ministry of Housing, Communities and Local Government on Local Authority Investments and Minimum Revenue Provision following consultation in 2017.

The report focused on the detailed practical implications for treasury managers of the new publications. The major changes were summarised below:-

- No amendments were required to the 2018-2019 Treasury Management Strategy which was approved by Full Council on 23rd February 2018;
- Fair value losses on non-financial investments in 2017-2018;

- Commercial investment decisions from 1st April 2018 onwards;
- Ministry of Housing, Communities and Local Government investment indicators;
- Capital Strategy;
- Treasury Management Practices; and
- Minimum Revenue Provision.

The Council would continue to work closely with its treasury management advisors, Arlingclose, to incorporate the changes to its treasury management activities.

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

- Concern was raised on the lifespan of the assets owned by the Council that were over fifty years.
There was no impact on WSC because the Council did not have any assets of that lifespan.
- Members questioned who made the decisions on commercial investments.
The Government were mindful and had controls in place to monitor investments and borrowing.

RESOLVED that the Committee noted the report.

(The meeting closed at 4.35pm)