

AUDIT COMMITTEE

Minutes of the Meeting held on 28 September 2015 at 2.30 pm in the Council Chamber, Williton

Present

Councillor R 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)
Assistant Director Resources (P Fitzgerald)
Democratic Services Officer (E Hill)

Also In Attendance

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

A.14 Minutes

(Minutes of the Meeting of the Audit Committee held on 6 July 2015, circulated with the Agenda)

RESOLVED that the Minutes of the Audit Committee held on 6 July 2015, be confirmed as a correct record.

A.15 Declarations of Interest

Name	Minute No.	Member of	Personal or Prejudicial	Action Taken
Cllr N Thwaites	All Items	Dulverton Town Council	Personal	Spoke and voted

A.16 Public Participation

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

A.17 Audit Committee Action Plan

There were no recorded actions from the last meeting on 6 July 2015.

A.18 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.19 Grant Thornton – External Audit Findings

(Report No. WSC 139/15, circulated with the Agenda)

The purpose of this report was to introduce the annual report of the external auditor Grant Thornton outlining findings from the audit of the Council's Statement of Accounts, and the arrangements to secure Value for Money. This also incorporated a review of WSC's financial resilience as a Council.

The Associate Director for Grant Thornton outlined its findings and stated that they were satisfied that, in all significant respects, the Council had put in place the proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

- The challenge for WSC this year was creating a balanced budget and it was likely Members would have to agree to make unwanted cuts.
- Was there a problem with the Business Rates coming in from Hinkley Point? Who set the Business Rates or did the blame lay somewhere else?
The Council did not set the rates but felt the pains of losses when change occurred or successful appeals were made.
- The initial valuation must have been correct to begin with?
Any business had the right to appeal against the Business Rates initially set.
- All the main power stations had put in an appeal against Business Rates. This was due for several reasons but included the costs of the Green Tariff.
- Should an impact assessment have been undertaken on the likely 'ripple effect' that would be caused if such appeals were successful?
- Was an incorrect Business Rate valuation made initially and why did the successful Hinkley appeal only impact on the Local Authority?
- Was this rate review a one off or the sign of change? Was it known if other local authorities had been affected? What if the power stations made another appeal and the Council did not have provisions to pay?
Other Councils had been affected too but WSC had been hit hard due to its limited budget. The power station did have the right to appeal again. If a further successful appeal was made and WSC was unable to meet the cost

of any refund, it was likely the Government would step in. A Members' Briefing had been diarised to discuss Business Rate Retention and Scrutiny would receive information about it in the Mid-Term Financial Plan.

- Who set the minimum level for the Council's reserves?
The Council set the level.
- Was the £1.5million overspend purely as a result of the Hinkley impact or was there something else affecting it?
The overspend was mostly due to the Hinkley Business Rates appeal – both in terms of the new level of Business Rates set and the fact that this rate was backdated.
- Were there other businesses appealing their Business Rates? How much would this cost the Council if the appeals were successful and did the Council have the money to meet the costs?
This was detailed in the Senior Debt and Recovery Officer's Report. A provision had been made in the budget to meet the cost of any further successful appeals.
- Reference was made to incidents of non-compliance including those relating to the Harbour Master.
This report was about major non-compliance with the Council. The incidents involving the Harbour Master was partial non-compliance and officers were working to resolve these issues. The Council needed to improve its Asset Risk Management. This was in the Mid-term Financial Plan.
- Previously, the Council had not had the staff numbers and experience concerning Asset Management. However, the Councils Assets and ways of working were being reviewed.

RESOLVED that:-

1. The Auditor's report be noted and the Action Plan contained within the report be supported.
2. The Auditor's qualified Value for Money conclusion which reflected the concerns over the financial resilience of the Council also be noted.

A.20 Approval of the Statement of Accounts

(Report No. WSC 141/15, circulated with the Agenda).

The purpose of the report was to request the Audit Committee to review and approve the audited Statement of Accounts prior to its signature by the Chairman of the Committee and the Section 151 Officer.

The Finance Manager presented the report and gave a brief overview of the four main statements contained within the Statement of Accounts under the following headings:-:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet; and
- Cash Flow Statement.

These statements reflected the Council's position on 31 March 2015. The Finance Manager also thanked the Finance Team for their work towards the preparation of the Statement of Accounts.

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

- Looking at the updated figures, why were the figures changed and how did it fit in?
It was a disclosure issue rather than a change to the bottom line. Going forward officers would endeavour to ensure that this did not happen again.
- With regard to Internal Borrowing, should this include interest as well as management fees? Where did this sit in main statement?
It was intended to hold a training session shortly for Members on Capital Expenditure and Capital Borrowing which would clearly explain this point. The Council received advice from ArlingClose about where and when to borrow money either Internal or External. The total debt was currently £5.6 million which had been reduced dramatically from a figure in the region of £10 million. This was still real debt and needed to be paid back.
- The sets of accounts could be drawn up in different ways but with the same end figure. This was about a final adjustments.

RESOLVED that:-

1. The Auditor's unqualified opinion on the Statement of Accounts 2014/15 be noted.
2. The Statement of Accounts 2014/15 be approved.
3. The Chairman of the Committee and the Section 151 Officer be authorised to sign the Statement of Accounts.

A. 21 SWAP Internal Audit – Progress Update 2015/2016

(Report No. WSC 142/15, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the Internal Audit Plan 2015/2016 progress and bring to Members' attention any significant findings identified through our work.

The Audit Manager from SWAP reported that since the December update no 'partial' or 'non assurance' audits had been awarded and there were no significant Corporate issues and also 95% of the Audit Plan would be delivered. SWAP had undergone major restructuring.

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

- Each year a certain number of areas of the Council were picked to be reviewed by SWAP. Members could suggest which areas to review or need to be reviewed.
Officers and SWAP were working through the individual policies to review and deal with any gaps between the Council's policies.

- Was this continuing work to align the policies of both Councils?
The Assistant Chief Executive was working on this project, reviewing both Councils policies, locating gaps and advising changes to officers and both sets of Elected Members.

RESOLVED that the progress made in the delivery of the 2015/16 Internal Audit Plan and the significant findings be noted.

A.22 Corporate Governance Action Plan

(Report No. WSC 143/15, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update of progress against the Annual Governance Statement Action Plan at September 2015.

The Corporate Strategy and Performance Manager updated the Committee on the recommendations and actions for improvements, which the Council had received from both Internal and External Auditors. Each recommendation/action would be rated regarding its urgency and level of risk.

Currently, there were eight actions emerging from audits. Two of these were green, five were amber and there were no actions with a red status.

The Members were presented with a full copy of the Annual Governance Statement with this covering report.

RESOLVED that the current progress in relation to completing the actions identified within the Annual Governance Statement be noted.

A.23 Corporate Risk Management Update

(Report No. WSC 144/15, circulated with the Agenda).

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

The Corporate Strategy and Performance Manager outlined the contents of the Council's Risk Register. Currently, there were only 17 Corporate Risks on the register with one green, seven amber and one red.

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

- Was Risk 11 the same as the new Risk 17? Could they not be rolled into one?
- Could Risk 4 be clarified?
This was risk of the unknown. For example, new staff and new assets etc. The Council might need to look for advice and experience within these new areas.

RESOLVED that the current position in relation to corporate risk be noted.

A.24 Debt Analysis Report – as at 30 June 2015

(Report No. WSC 145/15, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 30 June 2015.

The Finance Manager detailed the different streams of debt owed as follows:-

- Corporate Debts - £262,712. The figure reflected a decrease on this time last year.
- Housing Benefit Overpayment – the annual collection target was 43% and to date as at the end of June was currently above this target.
- Council Tax Debts had a total reduction of old debt of £13,963,261.
- Business Rate Debts had decreased with a total reduction of £8,758,847.

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

- There had been considerable success in the last year relating to Business Rate write-offs. The Council was heading in the right direction to reduce the number of these.
- Looking at the historic figures, these had increased. Why was that?
The Council was currently making software changes so old credit and the like was being added.
- This was a great example to other authorities. These actions were upheld and the problems were being worked through.
- The Council officers should be congratulated for the way the issues had been dealt with and how the back log had been cleared.

RESOLVED that:-

1. The information contained within the report be noted.
2. It also be noted that the Audit Committee would no longer receive routine debt monitoring information, as this was not a typical Audit Committee function. This information would in future be included within financial performance reports to Scrutiny and the Cabinet.

A.25 Associate Director, Grant Thornton

The Associate Director from Grant Thornton informed the Committee that the Audit Manager, Ashley Allen, was leaving Grant Thornton and that he would let the Committee know in due course who her replacement would be.

The Committee thanked Ashley Allen for her work in connection with WSC's Audit Committee.

The meeting closed at 4.32 pm.