

TORRIDGE DISTRICT COUNCIL
AUDIT & GOVERNANCE MEETING
Tuesday, 2 May 2017 - 2.00 pm

PRESENT	Councillor P Hackett (Chair) Councillors J Himan, K James and R Julian		
ALSO PRESENT	S Hearse	-	Strategic Manager (Resources)
	G Daly	-	Grant Thornton
	R Hutchins	-	Devon Audit Partnership Manager
	M Richards	-	Democratic Services Officer
	C Dobbs	-	Service Improvement Officer
APOLOGIES	Councillor Boundy Councillor Brenton Mr Ashworth Mark Bartlett		

The Chair welcomed everyone to the meeting.

52. MINUTES

The minutes of the meeting held on the 14 February 2017 were presented.

It was proposed by Councillor James, seconded by Councillor Julian and –

Resolved:

That the minutes be confirmed as a correct record and signed by the Chair.

(Vote: For - unanimous)

53. DECLARATION OF INTERESTS

Members were reminded that declarations of interest should be made as and when the specific agenda item to which they related was under discussion.

54. AGREEMENT OF AGENDA ITEMS PART I AND II

The agenda as circulated was agreed.

55. URGENT MATTERS BROUGHT FORWARD WITH THE PERMISSION OF THE CHAIR

The Chair declared that the running order of the agenda was to be amended to allow the Engagement Lead, Grant Thornton, to present her items first.

56. DRAFT ANNUAL GOVERNANCE STATEMENT

The Service Improvement Officer advised that the report was being presented to give the Committee an opportunity to review and comment on the Draft Annual Governance Statement. Legislation required the Council to conduct a review at least once a year and to publicise a report on the effectiveness of its control environment. Members were invited to focus on the review of the effectiveness of the Council's statutory, scrutiny and corporate governance arrangements.

Updates were given on the Risk Management Audit and the Peer Review Draft Report and the Audit Manager's annual opinion.

Confirmation was sought as to whether the Standards Committee would be submitting an annual report to Full Council. The Strategic Manager (Resources) said he would check with the Senior Solicitor.

The Service Improvement Officer responded to a question regarding the "satisfactory" audit opinion in respect of the Risk Management Internal Audit arrangements, stating that 4 years ago, this opinion had been "unsatisfactory" and had improved each year since.

57. REVIEW OF GOVERNANCE EVIDENCE - PRINCIPLE F1

The Service Improvement Officer reported that the Chair had selected Principle F1 for further review. Principle F was concerned with managing risks and performance and Section F1 was specifically about managing risk. Risk management and horizon scanning, to look at new and emerging risks, are both standing items on the SMT and Risk Management Group agenda.

Questions were asked about the Risk Management Group and the Service Improvement Officer confirmed that the group consisted of several officers, mainly from OMT. The Strategic Manager (Resources) stated that the outcome of the meetings was reported back to the Audit & Governance Committee.

The report was noted.

58. CHANGES TO ACCOUNTING POLICIES

The Strategic Manager (Resources) highlighted the proposed changes. A short discussion on the joint operation of the North Devon Crematorium took place. The Strategic Manager (Resources) said that he would investigate whether there were an option for 50/50 representation on the board, rather than 40/60 as currently stands, although he commented that the ratio was stipulated in the North Devon

Crematorium Board constitution. Furthermore, it was believed that the ratio had been set to reflect the populations of the 2 districts.

It was proposed by Councillor Julian, seconded by Councillor James and –

Resolved:

That the report be approved.

(Vote: For – unanimous)

59. GOING CONCERN REPORT

The Strategic Manager (Resources) asked the Committee to consider the Assessment of Going Concern Status report, the first of its kind to be presented to the Committee, prior to the submission of a draft set of accounts.

The main factors underpinning the assessment were:

- The Council's current financial position
- The Council's projected financial position
- The Council's Balance Sheet
- The Council's cash flow
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

The above items were discussed in more detail.

Questions were raised and answers provided about risk and percentage of New Homes Bonus being used for revenue.

The report which was noted.

60. 2017/18 ANNUAL FEE LETTER

The Annual Fee Letter for the External Auditor was presented, the purpose of which was to advise Torridge District Council of the upcoming audits and fees applied. The main audit fee totalled £41,288 and a further fee for Housing Benefit Certification would be billed in 2018. Details were also given in relation to the Grant Thornton audit team which remained unchanged.

61. GRANT THORNTON UPDATE REPORT

The Engagement Lead, Grant Thornton, presented the Update Report. It was noted that the fee letter and the Accounts Audit Plan had been issued and that the interim accounts audit had been completed. The final accounts audit was due to commence in July with an audited opinion being provided by the end of August.

62. EXTERNAL AUDIT PLAN

The External Audit Plan provided an overview of the planned scope and timing of the audit; key developments, challenges and emerging issues forming part of the summary. A further report on the governance and finance arrangements in relation to the Transforming Torridge Programme would be presented in August

Focus was placed on areas such as:

- The impact of the Autumn Statement
- The changes to the CIPFA Code of Practice to streamline financial statements
- Earlier closedown as required by the Accounts & Audit Regulations 2015.

The Engagement Lead, Grant Thornton, informed the Committee that materiality had been determined at £701,000. Significant risks had remained unchanged, these being operating expenditure; valuation of property, plant and equipment; and valuation of pension fund net liability. Other risks had been identified in the areas of operating expenses; employee remuneration; and the “Telling the Story” project. Under the title of “Value for Money”, 2 particular risks would be looked at in more detail, namely Medium Term Financial Planning and Transforming Torridge.

The Strategic Manager (Resources) responded to a question about assets as follows:

There are 2 registers of assets, one listing asset values for accounting purposes on the finance system and another listing all assets for operational purposes. The Strategic Manager (Resources) believed the list of all assets was available in the Members’ Room. The list may not include the detailed inventory of artefacts’ etc. used at the Burton Art Gallery as these were now in trust, although still belonged to TDC.

The Engagement Lead, Grant Thornton, left the meeting.

The report was noted together with the reports on the Annual Fee Letter and Grant Thornton Update reports.

63. INTERNAL AUDIT PLAN

The DAP Partnership Manager introduced the Internal Audit Plan for 2017/18. An additional document giving anticipated audit dates was circulated at the meeting.

The Plan served to make the Committee aware of the work carried out by the Devon Audit Partnership and how it was to be delivered.

It was proposed by Councillor Himan, seconded by Councillor Julian and –

Resolved that the plan be approved.

(Vote: For – unanimous)

64. AUDIT TOGETHER UPDATE

The Audit Together Update was reviewed and discussions took place about income generation and investments.

The report was noted.

65. AUDIT REPORTS ISSUED TO DATE

The DAP Partnership Manager advised that only one report had been issued since the previous meeting. It was noted that the opinion for the Benefits audit opinion had been “good”.

The report was noted.

66. PROGRESS WITH AGREED ACTIONS

The Service Improvement Officer provided an update on the progress in implementing agreed actions. Since the last Committee meeting, 47 new audit actions had been agreed and 44 actions had been completed. Mitigation actions had been implemented in respect of the 1 high risk audit action (Cyber Security) and ICT are currently implementing defensive software to mitigate the risk.

First extensions had been agreed for 6 actions; 2nd extensions had been requested for 3 audit actions; and third extensions had been requested for 2 audit actions. Details and targets were specified.

The Strategic Manager (Resources) gave an update on the long term and interim arrangements for replacing the ICT Manager.

The second and third extensions were approved.

(Vote: for – unanimous)

67. APPOINTMENT OF EXTERNAL AUDITORS FROM 2018/2019

TDC has received confirmation that we are included on the list for External Audit appointments to be made by Public Sector Audit Appointments. However, the Housing Benefit Subsidy Claim function is not included with that arrangement and will need to be procured separately.

68. UPDATE ON PARTNERSHIP ARRANGEMENTS WITH DAP

The formal entry into partnership with the DAP had been approved by TDC. The DAP Partnership Manager added that all governance issues had been completed and the contract was currently with the legal teams. He highlighted the main changes within the contract.

69. FORWARD PLAN

The Forward Plan was reviewed.

70. CORPORATE ASSURANCE RISK REGISTER - MARCH 2017

The Strategic Manager (Resources) went through the items on the Corporate Risk Register. The RAG status for all items was either amber or green with the exception of "Reputation of the Council" which was showing a red RAG status in relation to the oil spill in the harbour. The Strategic Manager (Resources) outlined the measures in place to address this risk.

It was proposed by Councillor Himan, seconded by Councillor James and –

Resolved:

That under Section 100(a)(4) of the Local Government Act (as amended) the public be excluded from the meeting for the following items of business because of the likely disclosure of exempt information by virtue of Paragraph 3 of Part 1 and Paragraph 10 of Part 2 of Schedule 12A of the Local Government Act 1972.

(Vote: For – Unanimous)

71. **PART II (CLOSED SESSION)**72. CORPORATE ASSURANCE RISK REGISTER - PART 2 ITEMS - MARCH 2017

The Strategic Manager (Resources) gave an update on the remaining items on the risk register, which were subject to an obligation of confidentiality.

It was proposed by Councillor Hackett, seconded by Councillor James and -

Resolved: That the press and public be readmitted.

(Vote – For – Unanimous)

The meeting commenced at 2.00 pm and closed at 3.27 pm.

Chair:

Date: