

# Audit Committee

Minutes of a meeting of the Audit Committee held in the Library Meeting Room, Taunton on Thursday 21 June 2018 at 10.00am.

## PRESENT

Cllr D Ruddle (Chair)

Cllr N Bloomfield  
Cllr M Caswell  
Cllr B Filmer  
Cllr P Ham

Cllr L Leyshon (substitute)  
Cllr J Lock  
Cllr M Rigby  
Cllr J Thorne

**Apologies for absence:** Cllr S Coles (Cllr Leyshon as substitute)

**Other Members present:** Cllrs M Chilcott, H Davies and T Munt

**Officers present:** Kevin Nacey - Director of Finance, Martin Gerrish – Strategic Manager – Financial Governance, Scott Wooldridge – Strategic Manager Governance & Risk, Heather Hall – Insurance Manager and Pam Pursley – Risk Manager.

**Also present:** Lisa Fryer from the Southwest Audit Partnership, and Peter Barber and David Johnson from Grant Thornton.

### **47**    **Declarations of interest** – agenda item 2

47.0    Members of the Audit Committee declared the following personal interests in their capacity as a Member of a District, City/Town or Parish Council: Cllr N Bloomfield, Cllr M Caswell, Cllr B Filmer, Cllr Ham, Cllr Rigby, and Cllr Thorne.

### **48**    **Minutes of the last meetings – 12 April 2018** - agenda item 3

48.0    The Committee agreed that the minutes of the meeting held on 12 April 2018 were accurate, and the Chair signed them.

### **49**    **Public question time** – agenda item 4

49.0    The Committee heard questions from Nigel Behan of the UNITE trade union who asked a number of questions on item 7 Internal Audit – Progress Report with regard to the Medium Term Financial Plan commissioning driven approach.

49.1    David Orr also gave a statement and asked questions on the same item. The Director of Finance responded and thanked South West Audit Partnership and the Peer Review team for their work. He highlighted the problem caused when Medium Term Financial Plan savings were not delivered and that lessons needed to be learnt. The most critical overspend was in Children's Services. A written answer would be provided to the questions.

## **50 Service Showcase - Insurance - Agenda item 5**

- 50.0 A service showcase was presented to members to provide assurance regarding insurance provision arrangements and service performance.
- 50.1 The Council is exposed to a wide variety of risks and insurance cover is the one of the key measures that is put in place to mitigate the larger financial risks where the Council is deemed liable and to ensure its assets and business continuity is covered.
- 50.2 Members were given further details about in-house management, external insurance policies, claims handling and repudiation rates, insurance fund, external risks in the insurance market and future plans to develop the service.
- 50.3 There was some discussion regarding court cases involving local authorities, insurance for schools which had become academies, income streams through insurance, highways claims and reducing future risks in this area, creation of a larger single insurance team for resilience and career progression, and replenishing the insurance fund balance.
- 50.4 Members noted the report.

## **51 External Audit Update - Agenda item 6**

- 51.0 The Committee considered an Audit Progress Report and Sector Update from external auditors Grant Thornton.
- 51.1 There was a detailed audit plan for both the Council and the Pension Fund and work was currently being completed and would be reported to Audit Committee along with the Value for Money Conclusion on 26 July.
- 51.2 Members were also informed that Grant Thornton would be continuing the external audit work for the next 5 years and were told the new reduced scale fees which included the pension fund.
- 51.3 There was some further discussion about the themed approach to MTFP and the accuracy of reporting of savings, there had been strong assurance in the past and auditors were working closely with the finance team.
- 51.4 The reports were noted.

## **52 Internal Audit Progress Report – Agenda item 7**

- 52.0 The Committee considered this report, introduced by the Internal Auditors, that provided an overview and general update of the progress made against the 2017/18 Audit Plan.

- 52.1 Two significant corporate risks around Strategic Asset Management and MTFP Commissioning Driven Approach were highlighted. Ten audits finalised in this period were awarded partial assurance: Debt Management, MTFP Commissioning Driven Approach, Procurement - monitoring and control of savings made, Strategic Asset Management, Payroll – IR35, Adults – Mental Health Care Plans, Adults – New Operating Model, Childrens – Part Time Timetables, ICT Network Resilience and Authentication, ICT controls – SAP.
- 52.2 The internal audit report plan was on track and had caught up on the backlog of work. Further updates on any partial assurance reports would come back to the committee later in the year with more detailed information.
- 52.3 There was some further discussion about financial pressures and the MTFP commissioning driven approach and confusion at times about which director was accountable for delivery of savings, high value savings that weren't delivered, better evidence and ownership from procurement to service areas, spend figures not accurately reported, making savings against high demands, and the lack of detail in the current process.
- 52.4 Cllr Rigby proposed that the Internal Auditor's findings regarding the MTFP 2017/18 should be reported to the Cabinet to inform the approach to the development of the MTFP 2019/19. This was seconded by Cllr Leyshon. This proposal was rejected by a majority vote of the Committee.
- 52.5 Following debate, the Committee noted the report.

### **53 Internal Audit Annual Opinion – Agenda item 8**

- 53.0 Members were informed that in relation to the 2017-18 internal audit plan a total of 60 reviews had been delivered. All reviews had been completed to report stage, 53 of which had been finalised. Of the 53 completed, 27 had returned opinions with 17 having received partial assurance with the remaining given reasonable assurance.
- 53.1 The internal auditor was encouraged by the management responses received and the readiness to accept and address the matters raised in audit reports. In respect of the IT follow-up audits that had been finalised, progress was slow and this will be monitored more closely during the forthcoming year.
- 53.2 Financial sustainability for the Council was a serious concern and the audit plan focused directly on this area – review of the commissioning driven approach to MTFP and the monitoring and control of procurement savings. Although partial assurances were given for both, recommendations made had been fully accepted. Work in 2018/19 would be undertaken to follow up these reviews.

- 53.3 Based on this information the internal auditor has offered 'Reasonable Assurance' in respect of the internal control framework in place.
- 53.4 There was some discussion about readiness for the new General Data Protection Regulations (GDPR), asset management strategies, whether there was an increasing about of partial audits occurring across local authorities, evident that processes need to catch up especially when there has been a change in the service being delivered, IT being able to capture what is needed to fulfil audits, the council's performance on final reports was significantly higher than partners performance.
- 54.5 The SWAP Assistant Director informed the committee that she would find out further information regarding partial audits in other local authorities and the difference in performance outcomes and this will be part of her next report in September.

The Committee noted the report.

## **55 Risk Management Update – Agenda item 9**

- 55.0 The Committee considered this Quarterly Risk Management Update which aimed to provide assurance on risk management processes and management actions being undertaken in accordance with the Council's policies and procedures.
- 55.1 Maintaining a sustainable budget remained a critical strategic risk facing the Council with the maximum risk score of 25. The one area of key concern highlighted in the Peer Review work was addressing the current and future budgets for Children's Social Care. The Council was focussing on identifying the appropriate level of budget for the service at the same time as analysing where it could reduce costs safely and still deliver essential services. Reference was made to the significant financial challenges facing the Council in 2018/19 and the budget gap in 2019/20.
- 55.2 Cabinet and the Senior Leadership Team have undertaken significant work to address the projected overspends for 2018/19 and there are a wide range of management actions being implemented as mitigations. The 10 point plan remains in operation to help reduce the in-year deficit and SLT were meeting weekly to review financial projections, delivery of MTFP savings and develop in-year saving options. The Core Council Programme was being reprioritised to focus on key lines of enquiry for financial performance. Members noted the extensive work being undertaken and the ongoing reporting arrangements to ensure members are kept informed.
- 56.3 Members were particularly concerned about compliance with the General Data Protection Regulations and it was agreed that an update should be provided by the Information Governance Manager to the next meeting to look at this in more detail.

The Committee noted the report.

## **57 Debt Management Update – Agenda item 10**

- 57.0 The Committee considered a report on the recovery of outstanding debts for the 2017/18 financial year which also showed the latest position as at the end of April/May 2018.
- 57.1 Members were informed of a much-improved position with the percentage of debts over 90 days as at 31st March 2018 at 12.92% which compared to 21.4% as of 31 March 2017. For end of April the figure had come down 9.11% of total debt and this performance was the best that had ever been recorded. 38 of these debts were more than £10,000 in value and comprised £0.860m or 62.5% of the total debt over 90 days. This represented significant progress since the last report to the Committee where the value of debt over 90 days and more than £10,000 in value was £1.355m.
- 57.2 Members were also told that the single most common cause for write-offs was a simple economic test where debt recovery could outweigh the amount to be recovered.
- 57.3 There was some discussion regarding the use of bailiffs, recovering small debts, aged debts from the NHS and a large part of the council's business was with them. It was hoped these debts would reduce in the future with new processes in place.
- 57.4 The report was accepted.

## **58 Draft Annual Governance Statement 2017/18 – Agenda item 11**

- 58.0 The Strategic Manager – Financial Governance introduced the report and explained the production of an Annual Governance Statement as a mandatory requirement. There were 7 key principles of governance that authorities were obliged to consider.
- 58.1 A query was raised regarding audio recordings and members were informed this was due to be reviewed at the next Constitution and Standards Committee.
- 58.2 The conclusions from the latest review were that the Council had a strong governance framework in place and that it could demonstrate its compliance. The report was accepted.

## **59 Forward Work Plan – Agenda item 12**

- 59.0 The Committee considered and discussed its Forward Work Plan of future agenda items and reports for the remaining scheduled Committee meetings in 2018.
- 59.1 Members were informed that a schedule would be drawn up to bring those partial audits back to committee later in the year. Members were also reminded that there would be a statement of accounts training on 10 July at 2pm in the Luttrell Room and that an email would be sent out shortly.

59.2 The Strategic Manager – Financial Governance also updated members regarding the list of fraud investigations and reported that these had now reduced to two ongoing issues. He would also find out when the section 106 report was being brought back to the Committee. The work plan was accepted.

**60 Other business of urgency – agenda item 13**

60.0 There were no other items for consideration and the Chair thanked all those present for attending and took the opportunity to formally thank the Finance Director, who was leaving the Council at the end of the month, for all his 31 years of service and hard work and help which was appreciated by members.

The meeting closed at 12.35pm.

**Cllr Dean Ruddle  
Chair – Audit Committee**