

MENDIP DISTRICT COUNCIL

Minutes of the meeting of the Audit Committee held on Wednesday, 23 November 2016 in the Council Chamber, Mendip District Council, Shepton Mallet commencing at 3 pm.

PRESENT: Councillor John North (Chair)
Councillors: Peter Bradshaw (Vice Chair), John Carter, Philip Gait (Co-opted Member), John Greenhalgh, Des Harris, Claire Hudson, Clive Mockford and David van Dyk

OFFICERS PRESENT:

Paul Deal	Section 151 Officer
Stuart Finney	Group Manager, Neighbourhood Services
Ben Sugg	Committee Officer

OTHERS PRESENT:

Rob Taylor	Business Manager, Fusion Lifestyle
Katie Haines	Audit Manager, Grant Thornton
Alastair Woodland	Audit Manager, South West Audit Partnership (SWAP)

Agenda Item	Subject	Actioned by
1	CHAIR'S ANNOUNCEMENTS The Chair announced the mobile phones should be switched to silent. The evacuation procedures in the event of an emergency were explained. The Chair noted that some Members were unable to make the 3 pm start of the Audit Committee meetings due to work commitments, and they would have to be accommodated. The Chair further noted that the next two meetings of the Audit Committee would begin at 5.30 pm.	
2	APOLOGIES FOR ABSENCE None	
3	DECLARATIONS OF INTEREST There were no declarations of interest.	
4	PUBLIC PARTICIPATION Items on the agenda: None. Items not on the agenda: None.	

5	<p>PREVIOUS MINUTES</p> <p>The minutes of the Audit Committee meeting held on Wednesday 10 August 2016 were agreed.</p>	Ben Sugg
6	<p>UPDATE ON THE PROGRESS OF THE LEISURE TRANSFORMATION PROJECT</p> <p>Stuart Finney, Group Manager for Neighbourhood Services and Rob Taylor, Business Manager for Fusion presented a verbal update on the progress of the Leisure Transformation Project.</p> <p>Mr Taylor explained that Fusion was committed to making capital investments across the District. £75,000 had been invested to re-tank the pool at Shepton Mallet Lido, along with a £750,000 investment in Wells Leisure Centre. Investments had been made in a larger gym at Frome Leisure Centre, a new soft play area and refurbished changing rooms that had already made a marked impact on the community. Members remarked that they had received positive feedback from the community, and that residents had started using the Frome facility as a result of the improvements to the changing rooms. Mr Taylor commented that he wanted to make sure Members were aware that Fusion was listening to feedback from the public, and had made further investments in a new café for the Frome site and refurbishments to the sports hall as a direct result of this feedback.</p> <p>In response to questions from the Chair, Mr Taylor explained that Fusion was unable to guarantee that there would be no price increases over the next 6 months, as they needed to retain the ability to change their pricing structure as necessary.</p> <p>In response to questions from the Chair, Stuart Finney explained that there was no restriction on how much Fusion could increase prices by in any given year, as the arrangement between MDC and Fusion was a lease and not a contract.</p> <p>Mr Taylor explained that there had been an increase in memberships of 800 across the district, the majority of which were in the Frome area. In response to comments from Members, he explained that advertising would be kept to a minimum until capital investment projects were more complete.</p> <p>In response to questions from the Chair, Mr Taylor explained that investments in the Frome site had consisted of two new studios, new pool changing rooms, and the ongoing refurbishment of the dry-side changing rooms. Mr Taylor noted that there was a noise issue caused by the existing boilers, and while there had been delays to the works to correct this it should be completed by 21 January 2017. Mr Taylor explained that along with the dry-side changing rooms, the refurbishment of the boilers represented a</p>	

	<p>£100,000 cost in addition to the projected £750,000, demonstrating that Fusion was taking the project seriously.</p> <p>In response to questions from the Chair, Mr Taylor explained that there had been unexpected building issues relating to the bottom of the pool at Shepton Mallet Lido. Mr Taylor noted that while Fusion was not prepared for this additional capital expenditure, all necessary re-tanking had been completed and the facility was due to open in May 2017.</p> <p>Mr Taylor explained that £75,000 had been invested in the Tor Sports & Leisure Centre and £100,000 in Strode Leisure Centre. A further capital investment was being planned, and building works were expected to begin by Summer 2017.</p> <p>Members of the Audit Committee asked how Fusion was performing nationwide, and Mr Taylor explained that a contract for seven leisure centres had been taken on in Devon. Mr Taylor noted that new contracts seemed to be following the Mendip model of a longer term lease which would allow more substantial capital investments.</p> <p>Noting that mental health conditions could often be improved by exercise, Members of the Audit Committee asked whether Fusion could consider donating short term passes for less busy times of the day to Wells Mental Health teams.</p> <p>In response to a question from the Section 151 Officer, Mr Taylor explained that there was a possibility of expanding to other sites within the District, but no plans would be finalised until the current capital investment projects were complete.</p> <p>The Chair asked that Fusion consider how to best engage customers in villages, and look at the possibility of arranging transport to their leisure facilities located in the larger towns in the District.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
7	<p>GRANT THORNTON ANNUAL AUDIT LETTER</p> <p>This Annual Audit Letter summarised the key findings arising from the work that Grant Thornton had carried out at Mendip District Council for the year ended 31 March 2016.</p> <p>The Letter was intended to provide a commentary on the results of Grant Thornton's work to the Council and its external stakeholders, and to highlight issues that Grant Thornton wished to draw to the attention of the public.</p>	<p>Alex Walling and Katie Haines</p>

	<p>In preparing this letter, Grant Thornton had followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.</p> <p>Grant Thornton reported the detailed findings from their audit work to the Council's Audit Committee as those charged with governance in their Audit Findings Report on 10 August 2016.</p> <p>During the discussion that followed, Members asked how many authorities had needed a qualification letter as a result of errors. Katie Haines replied that 95% of authorities had required a qualification letter and that this was not unusual, as an error as small as 1p required such a letter.</p> <p>Members noted that the valuation of pension funding on pg7 listed no risk, and that this seemed surprising. Ms Haines explained that a lack of 'risk' in this context meant that the Council's figures were correct.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
<p>8</p>	<p>MDC INTERNAL AUDIT PLAN PROGRESS 2016/17</p> <p>The Internal Audit service for the Mendip District Council was provided by South West Audit Partnership Limited (SWAP). SWAP was a Local Authority controlled Company part owned and controlled by Mendip District Council. SWAP had adopted and worked to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also followed the CIPFA Code of Practice for Internal Audit. The Partnership was also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting in March 2016.</p> <p>Internal Audit provided an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work included:</p> <ul style="list-style-type: none"> • Operational Audit Reviews • Cross Cutting Governance Audits • Annual Review of Key Financial System Controls • IT Audits • Grants • Other Special or Unplanned Review <p>Internal Audit work was largely driven by an Annual Audit Plan. This was approved by the Section 151 Officer, following consultation with the Corporate Management Team. The 2016-17 Audit Plan was reported to this Committee and approved by this Committee at its meeting in March 2016.</p>	<p>Alastair Woodland</p>

	<p>Audit assignments were undertaken in accordance with this Plan to assess levels of governance, control and risk.</p> <p>During the discussion that followed, Members asked whether the Council now had one cash book. The Section 151 Officer replied that he could check with Capita but he would assume that this was the case, as Capita had to action audit recommendations as part of its contract.</p> <p>In response to questions from Members, the Chair explained that any reports for partials were sent to the Chair and Vice Chair, and were then followed up.</p> <p>In response to questions from Members, Alastair Woodland explained that Officers were not obliged to follow up any recommendations in the report, but they are followed up with managers. Mr Woodland noted that sometimes these recommendations were not followed up due to budget constraints.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
<p>9</p>	<p>INTERNAL AUDIT RECOMMENDATIONS MONITORING QUARTER 2</p> <p>The internal audit service was provided for Mendip District Council by South West Audit Partnership (SWAP). Internal Audit provided an independent and objective opinion on the council's operations and highlighted areas where improvement could be made or corrective actions needed to be taken.</p> <p>SWAP carried out a number of audits during the course of each financial year, focusing on the following key areas:</p> <ul style="list-style-type: none"> • Operational Audit Reviews • Governance Reviews • Annual Reviews of Key Financial Systems Controls • Follow up reviews <p>Each audit was given a final 'Audit Opinion' of Comprehensive, Reasonable, Partial or None, depending on the findings of the audit. A number of recommendations for improvements would also usually be made.</p> <p>In order to ensure continuous improvement across all council services and to fully utilise the internal audit function, it was essential that progress against priority 4 and 5 internal audit recommendations was followed up on a regular basis.</p> <p>It was recommended that the Committee:</p>	<p>Paul Deal</p>

- a) Considers the process agreed by CGG for the follow up of internal audit recommendations
- b) Considers progress against internal audit recommendations arising from 2015/16 and 2016/17 in particular those that are currently still outstanding
- c) Considers areas where further work needs to be carried out, or further clarification is required from the responsible officer, taking into account comments from CGG
- d) Considers and agrees actions put forward by CGG, where applicable

During the discussion that followed, Members asked how many corporate credit cards had been issued. The Section 151 Officer replied that he would confirm the exact number, and explained that each card issued had a specific credit limit.

Members remarked that as a partnership had now been entered into with the 5 Councils, business continuity requirements had expanded. Members noted that an exercise where systems were completely shut down had never been carried out.

The Section 151 Officer explained that desktop exercises had been carried out, but not a live exercise. He noted that Capita systems were not tested by MDC. Members commented that the Council had a good understanding of how it would fare, but could not say the same in regard to systems operated by Capita, outage of which would directly affect MDC.

Members remarked that the Council Chamber represented a vulnerability in the Shape Mendip Hub, as it was accessible to the public. Members asked what the consequences of a fire in the Council Chamber would be, to which the Section 151 Officer replied that alternate rooms could be used for meetings.

Members noted that the Planning Department was located adjacent to the Council Chamber, and fire damage to this area of the building would pose a serious threat to business continuity.

The Chair asked that a review of the Council Chamber's CCTV be presented at the next meeting.

In response to questions from Members regarding the commissioning of penetration testing of the Council's IT systems, the Section 151 Officer explained that this had not been carried out.

Members asked why IT issues had been ongoing for so long. The Chair explained that as a result of the recent corporate restructure, some actions had slipped. Members suggested determining new, more realistic dates for these actions and holding Officers to account for these new dates. The Chair remarked that he would

	<p>like to have a report on these ongoing IT issues for the next meeting.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
10	<p>UPDATE ON THE RISK MANAGEMENT REPORT QUARTER 2</p> <p>Risk Management was the process used to identify, evaluate and manage the whole range of business risks facing an organisation. It was defined as ‘something happening which may have an impact on the achievement of the council’s objectives, either positively or negatively’.</p> <p>The aim of risk management was to reduce the frequency of risk events occurring, where possible, and minimise the severity of their consequences if they did occur. By managing its risks, the Council was in a better position to improve services, provide better value for money and use resources more efficiently.</p> <p>Successful Risk Management was about ensuring that the council had the right controls in place to provide sufficient mitigation from risks, without stifling the opportunities for development.</p> <p>It was recommended that the Committee:</p> <ul style="list-style-type: none"> a) Reviews the approach to risk management b) Notes the progress on risk management c) Considers whether there are any additional areas of work that they would wish to be taken forward or to strengthen the process during 2016/17 <p>During the discussion that followed, the Section 151 Officer explained that capital funding was included because the Council had no further capital reserves, as the capital receipts from the sale of housing stock had been used. However, he explained that this was not a cause for concern as the Council had adequate capacity to borrow funds if necessary.</p> <p>In response to questions from the Chair, the Section 151 Officer explained that an audit was being carried out on SR41 but would not be complete by January.</p> <p>In response to questions from Members, the Section 151 Officer explained that there was a good awareness among Officers of the importance of compliance with the 5 Councils rules.</p> <p>Members asked who was accountable for SR46. The Section 151 Officer replied that he was not sure that any one individual was</p>	<p>Lesley Fogerty</p>

	<p>responsible, as the 5 Councils client team would manage the contract.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
11	<p>URGENT BUSINESS</p> <p>There were no items of urgent business.</p>	

The meeting closed at approximately 4.10 pm.