

MENDIP DISTRICT COUNCIL

Minutes of the meeting of the Audit Committee held on Wednesday, 5 April 2017 in the Council Chamber, Mendip District Council, Shepton Mallet commencing at 5.30 pm.

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

OFFICERS PRESENT:

Tracy Aarons	Deputy Chief Executive
Claire Dicken	Committee Officer
Claire Malcolmson	Community Health Services Group Manager
Duncan Moss	Deputy Corporate Financial Advisor

OTHERS PRESENT:

Sophie Morgan	Engagement Manager, Grant Thornton
Alastair Woodland	Audit Manager, South West Audit Partnership (SWAP)
Philip Povey	Somerset Civil Contingencies Unit

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.	
2	APOLOGIES FOR ABSENCE None	
3	DECLARATIONS OF INTEREST None	
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 25 January 2017 were agreed.</p> <p>In response to queries the Chair clarified that from May 2017 onwards meetings of the Audit Committee would start at 3 pm. Councillor Claire Hudson requested that this decision be revisited otherwise she would not be able to attend the meetings. She did not want to leave the Committee. The Chair agreed to discuss the issue with Lead Officer.</p>	Claire Dicken
6	<p>BUSINESS CONTINUITY AND ISO COST BENEFIT ANALYSIS</p> <p>The Group Manager for Community Health Services circulated a document which explained that the Council had a statutory duty under the Civil Contingencies Act to have a Business Continuity Plan in place. Currently, the Council had such a plan, but it was not ISO certified. The document went on to compare the current business continuity planning with ISO 22301 certification with regard to business continuity and the costs involved in becoming certified.</p> <p>The Officer said that gaining ISO 22301 certification would be good but Members should be mindful that currently the cost to achieve the recognition would not proportionate to the benefits gained.</p> <p>It was recommended that Members support the current approach, but acknowledged the benefit of a review from SWAP in 2017/18.</p> <p>In response to queries the representative of the Civic Contingencies Unit said the Council had aligned itself to the ISO standard even though it had not be certificated. He added this was fairly common for Councils.</p> <p>In response to further queries the Deputy Chief Executive explained that the Bath and West Showground had been dismissed as a venue for use by the Council as part of its business continuity planning.</p> <p>The Chair raised whether the Council's emerging Phoenix Projects would affect the Councils decision to certify its business continuity. He suggested there would be a commercial advantage to doing so in the future and he would discuss this further with the Lead Officer.</p> <p>The Group Manager agreed to let Members know when they could expect all Officers of the Council to have training in the business continuity arrangements.</p>	Claire Malcolmson

	<p>RESOLVED</p> <p>That the report be noted.</p>	
7	<p>EXTERNAL AUDIT - 2016/17 UPDATE REPORT</p> <p>The Engagement Manager for Grant Thornton presented the progress report and update for year ended 31 March 2017.</p> <p>Amongst the conclusions drawn was that income generation was increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency.</p> <p>During the discussion that followed Members queried the apprentice levy and the Council's use of temporary staff and self-employed staff.</p> <p>There was a discussion about modern slavery and how the Council could be sure that it was not involved in such a supply chain.</p> <p>Members requested more information about IFRS 15 Revenue from Contracts which had been referred to in the report.</p> <p>Members further requested information about the impact of the 5 Councils arrangement on integrated reporting and whether the Council could be sure that none of the other councils had modern slavery within their supply chains.</p> <p>Members noted that although the Council had an arrangement with 4 other Councils, Mendip was still a standalone Council.</p> <p>Members requested information on the impact the minimal wage would have on the lowest graded jobs within the Council.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	Sophie Morgan
8	<p>EXTERNAL AUDIT – 2017/18 AUDIT PLAN</p> <p>The Engagement Manager for Grant Thornton presented the external Audit Plan for 2017/18. Significant risks included whether the revenue cycle included fraudulent transactions, management override of controls, whether the expenditure cycle included fraudulent transactions, the valuation of property, plant and equipment and the valuation of pension fund net liability.</p>	Sophie Morgan

	<p>With regard to value for money the Council was forecasting a cumulative net budget shortfall of £4.5m by 2020/21. This shortfall was now forecast to be £3.306m to 2021/22 with a balanced budget for 2017/18.</p> <p>During the discussion that followed members were interested in how the Audit Plan would be affected by the 5 Councils arrangement.</p> <p>In response to queries the Deputy Corporate Financial Advisor said it had been predicted that the Council's budget would have a financial gap in 2018/19 onwards.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
9	<p>EXTERNAL AUDIT – 2017/18 FEE LETTER</p> <p>The Engagement Lead for Grant Thornton presented a letter which stated that the Council's scale fee for 2017/18 had been set by Public Sector Audit Appointments (PSAA) at £49,724.</p> <p>The Chief Executive would be asked to reply to the fee letter.</p> <p>RESOLVED</p> <p>That the content of the letter by noted.</p>	Sophie Morgan
10	<p>INTERNAL AUDIT – 2017/18 AUDIT PLAN</p> <p>South West Audit Partnership had prepared a report the purpose of which was to approve the internal Audit Charter and the Annual Internal Audit Plan for 2017/18.</p> <p>The Internal Audit Work Plan for 2017/18 included key financial control, governance, fraud and corruption, operational audits including shared legal services, follow up audits including empty homes, 5 Councils in scope services and management time.</p> <p>During the discussion that followed it was confirmed that Officers involved in the 5 Councils in scope services would be given details of the timescales for the audit and would be expected to engage with the process. However, it was noted that Officers were under work pressures too.</p> <p>The Chair gave a breakdown of the days that had been set aside for auditing. These totalled 357.</p>	Alistair Woodland

	<p>He proposed that the Audit Committee agree that during 2017/18 219 days be spent auditing Mendip services and 43 days be spent auditing management time. However, the number of days set aside for the 5 Councils in Scope Services be set at a later date when more information was available.</p> <p>The Deputy Financial Advisor said the number of days had been discussed between the Council and SWAP and 357 days had been figured out according to the work involved.</p> <p>The Deputy Chief Executive explained the number of days appeared to be higher than previously because the nature of the work was riskier than before. She suggested that the 95 days for auditing the 5 Councils in scope services be agreed in principle.</p> <p>Members were concerned that all Officers and Managers involved in the process were kept informed about what was required of them so that no days were wasted.</p> <p>RESOLVED</p> <p>That the Audit Committee agree that during 2017/18 229 days be spent auditing Mendip services and 43 days be spend auditing management time. Then the 95 days set aside for the 5 Councils in Scope Services be agreed in principle only and be confirmed at a later date when more information was available.</p>	
11	<p>EXCLUSION OF THE PRESS AND PUBLIC</p> <p>The Audit Committee passed a resolution to exclude the press and public from the meeting during item 12 on the grounds that exempt information (as defined in Schedule 12A Local Government Act 1972) of the following description was likely to be disclosed:</p> <ul style="list-style-type: none"> • Category 3 – Information relating to the financial or business affairs of any particular person (including those of the Council). 	
12	<p>CORPORATE RISK REGISTER UPDATE</p> <p>The Deputy Finance Officer presented a report which outlined the Council's approach to risk management and intended areas of work to further strengthen the Council's arrangements during 2017/18.</p> <p>The Committee were asked to</p> <p>a) Review the approach to risk management</p>	Lesley Foggerty

	<p>b) Note the progress on risk management and c) Consider whether there were any additional areas of work that they would wished to be taken forward or to strengthen the process</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
13	<p>URGENT BUSINESS</p> <p>There were no items of urgent business.</p>	

The meeting closed at approximately 7 pm.