

MENDIP DISTRICT COUNCIL

Minutes of the meeting of the Audit Committee held on Thursday, 6 December 2012 in the Council Chamber, Council Offices, Shepton Mallet commencing at 6.00 pm.

PRESENT: Councillors: John Carter (Chair), Peter Bradshaw, Matthew Ellis, John North (Vice Chair), Sam Phripp and Richard Pinnock.
Co-opted Member Philip Gait

**OFFICERS
PRESENT:**

Chris Gunn	Group Audit Manager, SWAP
Lisa Fryer	Audit Manager, SWAP
Angela Riley	Temporary Committee Officer
Sara Skirton	Policy and Performance Manager
Adam Savery	Lead Officer and Deputy Corporate Financial Advisor
Elizabeth Cave	External Auditor Grant Thornton

Agenda Item Number	Subject	Actioned by
1	<p>Chair's Announcements</p> <p>The Chair requested that mobile phones be switched off, and explained the evacuation procedures in case of an emergency.</p> <p>The Chair advised that the running order would be changed so that item 9 would be dealt with first.</p>	
2	<p>Apologies for Absence</p> <p>None</p>	
3	<p>Declarations of Interest</p> <p>None.</p>	
4	<p>Public Participation</p> <p>a) <u>Items on the agenda:</u> None.</p> <p>b) <u>Items not on the agenda:</u> None.</p>	
5	<p>Draft Minutes</p> <p>The minutes of the Audit Committee meeting held on 5 September 2012 were agreed subject to the following changes:</p>	Claire Dicken

	<p>That the minutes referring to public speaking should include the questions asked by the public.</p> <p>Page 4 – External Auditors meeting – issue to be raised with Grant Thornton.</p> <p>Page 5 – “risks as” be amended to “risks at”</p> <p>Page 7 – Audit Committee Forward Plan had itemised car parks to be discussed at the next meeting, but was not on the agenda. It was confirmed that the report on car parks would be discussed at the meeting on 14 February 2013.</p>	<p>Adam Savery</p> <p>Angela Riley</p>
<p>6</p>	<p>Quarter 2 Update on Risk Management</p> <p>The Policy and Performance Manager introduced the report. She explained that it was a regular quarterly report regarding high level corporate risks. The Risk Management Group would go through the register and give each item a score for risk level. The team had also looked at any new risks that needed to go on the register. Sometimes risks came back and needed to be reviewed. The report was mainly for information and asked if there were any additional areas to report to the Corporate Management Group.</p> <p>Members felt it would be helpful if the report could be printed in colour as it was difficult to distinguish to different risk levels coded red, amber or green when the report was printed in black and white.</p> <p>Co-opted Member Philip Gait asked if there should be concern over the fact that the Phoenix project was continuously at red. The Policy and Performance Manager explained that the Phoenix project had its own risk level and it had been agreed to keep it red until the process had started. All risks labelled red would be regularly reviewed and this kept the project as a main priority. A lot of risks had been taken off the register which gave an indication that the team had been focusing on the top risks.</p> <p>Members agreed that the register was difficult to read in such a small format and asked for a meeting with the Corporate Risk Management Group and for the information to be electronic so that it could be shown on a projector at meetings. They also requested a copy of the Phoenix Project Risk Register to be broken down into various action plans.</p> <p>The Deputy Corporate Financial Advisor noted that the report asked for consideration of any additional areas of</p>	<p>James Ellis</p> <p>James Ellis</p>

	<p>work that the Committee wished to take forward. The Phoenix project was of most concern.</p> <p>RESOLVED</p> <p>That the Committee:</p> <p>a) noted the progress on risk management, and</p> <p>b) considered additional areas of work that would be taken forward during the course of the year.</p>	
7	<p>Quarter 2 Internal Audit Recommendations Monitoring</p> <p>The Policy and Performance Manager introduced the report. She explained that the report was a quarterly update whose purpose was to aid SWAP on internal audits. This was to ensure that actions were taken forward. The appendices attached showed all the recommendations from audits with a priority rating of 1 to 5. It had been agreed with the Committee earlier in the year to focus on the actions with the highest risks.</p> <p>Members discussed the report and were concerned that a great deal of work was involved within the internal audits and that the actions recommended were not being followed up. They felt that there needed to be a clear commitment between Mendip District Council and SWAP to ensure implementation of risk improvement.</p> <p>The Group Audit Manager, SWAP, advised that in time the Committee would see the audit plan evolve and that they would be talking to Grant Thornton and looking at a new approach.</p> <p>Co-opted Member Philip Gait suggested that perhaps a couple of Councillors could get together with the Corporate Risk Management Group to discuss the best way to get together the information required for the internal audit.</p> <p>Councillor North felt that an overview of the system was needed to look at the number of statutory audits, the number of Officer hours, and then to look at the non statutory audits to compare the benefits achieved. Ongoing audits should be about continuous improvement and that too much time was taken up with non statutory audits.</p> <p>The Deputy Corporate Financial Advisor informed Members that SWAP had talked to all the Corporate Managers and had come up with a plan of the risks identified and the risks that had been flagged up to them.</p>	

The problem with delivering that plan was that the Group had come up against opposition from Managers. This gave a non opinion audit. A clear commitment was needed between SWAP and Mendip District Council to see where the priorities changed. Clarity of the risk was needed and why it had not been dealt with. Sometimes the people they needed to engage with were so busy that they could not return the information.

Councillor North agreed that this showed that sometimes the Officers just did not have the time to undertake all the audits and that the process needed to be right in order to benefit Mendip District Council.

Councillor Ellis felt that the Portfolio Cabinet members needed to be at meetings where their reports were on the agenda in order to be responsible for their area.

The Chair agreed that Portfolio Holders needed to be present and recording of the decision as to why the risk had not been dealt with.

Members agreed there were certain risks that were not being fully focused on and that a small working group could be the way forward. If CMT agreed an audit plan for the year it should be followed up.

The Deputy Corporate Financial Advisor remarked that the Audit Committee should express their concerns about the whole process direct to CMT and Cabinet, including the length of time it took to implement some of the recommendations and non engagement of some areas of previously agreed items on the Audit plan.

Councillor North felt that certain issues needed to be identified and that by the next Audit meeting there should be engagement with CMT to discuss internal audits, followed by a separate meeting with SWAP. This would enable both parties to agree a plan where everyone knew what to expect.

The Deputy Corporate Financial Advisor agreed that a small member working group should be formed and a meeting with SWAP and CMT arranged before the next Audit meeting in February 2013.

The Chair agreed to set up a small working group and asked Members to pass a resolution to set up a task and finish group. It was suggested for three members to engage with SWAP and Council staff. There should be terms of reference for the group to communicate progress and delivery of the action plan.

Adam Savery

	<p>The names put forward for the group were;</p> <p>Councillor John North Councillor John Carter Co-opted Member Philip Gait</p> <p>RESOLVED</p> <p>That the Committee</p> <p>a) considered the process for monitoring internal audit recommendations</p> <p>b) considered progress against internal audit recommendations arising from 2009-10, 2010-11, 2011-12 and 2012-13 audits</p> <p>c) considered areas where further work needed to be carried out</p> <p>and agreed the recommendation to set up a Working Group consisting of:</p> <p>Councillor John North Councillor John Carter Co-opted Member Philip Gait</p>	
<p>8</p>	<p>2011/2012 Governance Action Plan Update</p> <p>The Deputy Corporate Financial Advisor presented the report and advised that there was only one recommendation from the Annual Governance Action plan which was to investigate the discrepancies in the academy debtors/creditors totals reports with the system supplier to resolve the problem for the next year.</p> <p>The software supplier had been on site on 12 September 2012 and a solution was now in place.</p> <p>RESOLVED</p> <p>To note completion of the action plan</p>	
<p>9 (Discussed as 1st item)</p>	<p>Audit Fee 2012/13</p> <p>Elizabeth Cave introduced herself and the External Audit company Grant Thornton. She advised that Chris Rockey would still be the Auditor for Mendip District Council.</p> <p>She explained that the audit would be risk based with</p>	

more emphasis on high risk. She went on to say that the fee charged would bring about a reduction of approximately 40% from the previous fee. The Company had started the planning process in order to understand the requirements of the audit and the value for money conclusion included arrangements for securing resilience and tighter budgets. They would be putting an audit plan to the Committee around March or April 2013.

Councillor Ellis asked what the company anticipated bringing to the organisation. The price was very competitive and he asked if they would be billing extra for overruns in order to make up the margin in the tender price. If this was the case, how could Mendip avoid additional costs?

Elizabeth answered that as a new company they would be looking at the organisation with a “fresh pair of eyes” and that Grant Thornton had joined together with a large firm in Bristol which meant they could offer more in the way of commercial services including tax and VAT advice, as well as looking at both public and private sectors. The way the audit would be different was that the company had invested in a lot of new training and knew that they could do less work on low risk areas and more on high risk areas from a commercial auditors approach. They looked at what might actually go wrong and would be asking different questions compared to the last auditor. In terms of billing for overruns, she explained that half of the reduction was in the fact that Mendip would not be paying so much for the audit commission. They had fewer overheads and the staff involved were on different terms. The contract was not based on there being a great deal of overrun.

Councillor North was also interested in what the new audit company would be doing for Mendip District Council and asked for a matrix of all the audits to be carried out in order that at the end of the audit the improvements made could be seen.

Elizabeth advised that all these issues would be discussed once the plan was delivered. There were two outputs to external audits;

1. To give an opinion on the accounts to see if they gave a true and fair view of the accounts within the year and,
2. Identifying any risks within the figures i.e. large assets that could possibly be wrongly valued. The auditors could make recommendations on improvements.

	<p>The plan would show the main risk areas and there would be a short presentation to explain the role of the external auditor.</p> <p>The Deputy Corporate Financial Advisor suggested that the majority of Officer engagement was pre-planned and that there would be a plan from Grant Thornton in April 2013. An internal timetable would be provided to the Audit meeting in January 2013 to come up with an indicative plan. Grant Thornton would follow this up in April 2013.</p> <p>Elizabeth advised that the initial work on understanding the organisation included reviewing documents and talking to staff. The processes would be documented and recorded with the controls being tested before agreeing a visit to conclude the accounts as early as possible. Discussions would take place quarterly to bring up any issues.</p> <p>Councillor Bradshaw welcomed and thanked Grant Thornton for their recent hospitality and felt that a lot had been learned from the meeting. He also agreed with Councillor North that the Council needed due warning of any issues that might occur.</p> <p>Elizabeth said that she very much looked forward to working with Mendip District Council as they had a good reputation for forward thinking and agreed that there would be more detail within the plan to follow.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
<p>10</p>	<p>SWAP Report on Internal Audit Activity</p> <p>Lisa Fryer introduced the report as a progress report up to the end of November 2012. The report showed that improvements had been made with the process streamlined to ensure people understood what was required from them.</p> <p><u>Corporate policies.</u> There had been some improvement within this area and a version control had been introduced for policies in order to see when the policy had last been updated. There had been full support for recommendations and it had been agreed that staff would be reminded of better cooperation.</p> <p><u>Data security breaches</u> The Section 151 Officers had met and put together a Mendip plan although this had not progressed as an agreement on terms for referral to Audit</p>	

could not be agreed. There had been no one responsible for data security breaches and therefore this had been deferred until the following year.

Operational audits. One audit had been finalised which showed a reduction in the number of people who had become homeless. Issues had become out of date and needed to be evaluated more often. The Corporate Performance Officer responsible had a number of responsibilities and it was felt that they should not all depend on just one person. However, a lot of the recommendations had now been implemented since the report.

The IT risks connected to the Phoenix project were no longer relevant and so were not continued. A weekly meeting had been set up with Phoenix to pick out any likely risks and to report back to the Group.

The Deputy Corporate Financial Advisor commented that the IT audits were a good example of where communication had worked. The issues had been noted, looked at and resolved in a flexible way. This approach needed to go throughout the organisation.

Key control audits. Capita had been very helpful and had caught up with audits needing to be done.

Lisa was pleased to report that good progress had been made and that support was welcomed to improve things going forward. The next quarter would be busy but the plan was to deliver all of the audits by June 2013.

The Chair commented that a Data Security Breach Officer should be appointed. The Deputy Corporate Financial Advisor said he understood that there was an Officer, but that they had been heavily involved with the Phoenix project and had been unable to engage with SWAP.

Councillor Ellis felt that Mendip District Council needed staff to undertake different roles and to have a set of rules on how each job was carried out. This would allow more temporary staff to be taken on when busy and allow the Council to be more flexible.

Councillor Pinnock was concerned over the data security breach risk and was assured that this has been escalated to the Chief Executive for review.

RESOLVED

That the report be noted

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Medium Term Resource Strategy Update

The Deputy Corporate Financial Advisor gave a verbal update on where the organisation was financially.

Members were aware that there was a shortfall on revenue budget of £400,000. This was being worked on in order to bring the figure down. The Cabinet agenda report for quarter 2 showed an over spend, the underlying route being non achievement of reaching goals within income. At end of October 2012 the team had looked at using some contingency budget against this plus the Council had received an additional grant windfall, so overspend was now down to approximately £200,000.

It was hoped that expenditure would be reduced even further and that the organisation would come in over budget. In July 2011 it had been expected that building work would start in December 2012, however, this had been put back to January 2013, but delayed again until April or May 2013. The project looked to come in on budget. The Capital budget was in the region of £3 million. This would be dealt with by seeking funds to be rolled forward into the next financial year. There were some variations to the plans and Mendip were looking at new procurement for the start of works. It was hoped that by February 2013 there should be considerable progress on the project.

Giving an update on how the Council intended to proceed with setting the budget in February 2013, the Deputy Corporate Financial Advisor advised that austerity would continue and cuts would be around 2%. Until the grant settlement figure was known it was difficult to decide how the Council Tax Support Scheme would run. Decisions would not be made until January 2013.

It had been decided to proceed on the assumption that the grant would be reduced by 8.5%. Options included that if the settlement figure was less than this, it would be outlined to Cabinet in January 2013 on how it was proposed to bring a report to Audit to discuss the way forward.

The Finance team would be approving Council Tax at Full Council on 21 February in order to be able to issue bills. They had been told that the figures would be received in December 2012 but this had not been confirmed. If the figures were vastly different from the assumptions there would be a lot of work involved to bring them back in line.

It was difficult to know where to go at this stage and there

	<p>was a need for options of other proposals until the figures came in.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
	<p>Councillor North left the meeting at 19:55 Councillor Ellis left the meeting at 20.01</p>	
12	<p>SWAP Governance Arrangements</p> <p>The report talked about changes within SWAP and terms of pay and conditions governed by South West Audit Partnership.</p> <p>One project had been the change in Government arrangement although the service area would not change. This was yet to be signed off.</p> <p>RESOLVED</p> <p>That the report be noted</p>	
13	<p>Audit Committee Forward Plan</p> <p>RESOLVED</p> <p>That the Audit Committee Forward Plan be noted and additions be made as discussed during the meeting.</p>	
Urgent additional item	<p>Amendment to the constitution – Section 13</p> <p>The Deputy Corporate Financial Advisor introduced the amendments and explained that they were scheduled to be considered by the Standards Board on 11 December 2012 and therefore needed to be signed off by Audit beforehand.</p> <p>He explained that the changes made were to clarify the role of the Audit Committee and that nothing in the amendments were contrary to how the Committee was currently running but it did set out the role more clearly.</p> <p>The Audit Committee considered the changes to Section 13 and requested one minor amendment.</p> <p>Under 13.1.1 (Role and Functions) the first bullet point “commission work from Internal and External Audit as appropriate” was not considered to be a role. It was duplicated under 13.2 (Specific Powers) and the Committee felt it should be removed from 13.1.1 but retained in 13.2.</p>	

	<p>RESOLVED</p> <p>To accept the amendments to Section 13 with the agreed amendment.</p>	
13	<p>Urgent Business</p> <p>None.</p>	

The meeting closed at 8.15 pm.

Date of next meeting 14 February 2013