

MENDIP DISTRICT COUNCIL

Minutes of the meeting of the Audit Committee held on Thursday, 18 April in the Committee Room, Council Offices, Shepton Mallet commencing at 6.00 pm.

PRESENT: Councillors: John Carter (Chair), Peter Bradshaw, John North (Vice Chair – arrived 6:10pm), and Richard Pinnock.
Co-opted Member Philip Gait

OFFICERS

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| PRESENT: Liz Cave | Engagement Lead, Grant Thornton |
| Lisa Fryer | Audit Manager, SWAP |
| Nick Jagger | Corporate Support Officer |
| Donna Nolan | Corporate Manager, Governance, Assets and Public Spaces |
| Chris Rockey | Group Audit Manager, Grant Thornton |
| Adam Savery | Lead Officer and Deputy Corporate Financial Advisor |

| Agenda Item Number | Subject | Actioned by |
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| 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 highlighted Cllr Matthew Ellis's resignation as a District Councillor and thanked Matthew for his committed work and input on the Audit Committee.</p> <p>The Lead Officer revealed he would write a letter of thanks to Matthew</p> | Adam Savery |
| 2 | <p>Apologies for Absence</p> <p>Apologies had been received from Councillor Sam Phripp.</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>Previous Minutes</p> | Nick Jagger |

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| | <p>The minutes of the Audit Committee meeting held on 14 February were agreed as a correct recording of proceedings.</p> <p>The Co-opted Member raised a query on Item 8 of the minutes and questioned whether future reports should also contain policies. The Lead Officer confirmed he would circulate these policies</p> <p>The Lead Officer enquired whether anybody had received a copy of Chris Rockery's presentation. Members revealed they had not and the Lead Officer confirmed he would circulate a copy of the presentation to Members.</p> | <p>Adam Savery</p> <p>Adam Savery</p> |
| <p>6</p> | <p>Mendip HUB Update</p> <p>The Lead Officer introduced the item by stating at last meeting, the Audit Committee identified significant governance issues going forward, which included the Mendip HUB project. The Committee was reminded that the purpose of the presentation was to look at governance issues and not go into detail of the Cabinet decision.</p> <p>The report was presented by the Corporate Manager for Governance, Assets and Public Spaces who introduced by stating that the background to the HUB project began in July 2011 with a report to Cabinet. Preceding that report, a project team established that the Council's largest asset, the site at Cannards Grave Road, was underutilised. Whilst some private sector prospects were investigated, opportunities with the Police and Somerset County Council were developed further. It was later confirmed that 35 other partners would have a physical or virtual presence on site.</p> <p>It was explained that the HUB had two aspects; the asset side of the project, and the partner side of the project. The partner side of the project was viewed as a catalyst to change service delivery.</p> <p>With regards to the framework for the governance of the project, the following points were clarified:</p> <ul style="list-style-type: none"> • The Sponsorship Board's role would be to consider key issues, progress reports and risk registers. Membership of the Board included the Leader, CEO, the Deputy Leader, Finance Officers, two Portfolio Holders and two Scrutiny Members. The Board would meet once a month. • The project would also report to CMT fortnightly. • The Corporate Manager for Governance, Assets and Public Spaces was the project sponsor. • The Corporate Support Manager was the lead for the | <p>Donna Nolan</p> |

build and hard resource functions

- The Policy and Performance Manager was the lead in terms of partner development.
- A number of staff worked full time or part time on the HUB, some staff had been seconded to accommodate this.
- A number of working groups would also report to the project leaders, who in turn report to HUBCAP (an internal working team), who then report to CMT, and then to the Sponsorship Board, Cabinet and Scrutiny (if required). A Corporate Risk Management Group also monitored the project.

The Corporate Manager for Governance, Assets and Public Spaces was satisfied that the reporting mechanisms worked well and meant that CMT and the Sponsorship Board focused on the areas of highest risk. Decision making could either be made by CMT or the Sponsorship Board (depending on the decision to be made).

The HUB was on target and was hoped it could be online this year in November, in time for universal credit. Wilmot Dixon were revealed to be the builders for the project.

Councillor North cited item 57 on the project risk register and asked whether Somerset County Council had signed up. It was revealed that there had been delays with Somerset County Council, and at a recent meeting with them it was proposed that heads of terms would be agreed by 22nd April and the agreement to lease agreed by 1st May. The build project would not start until Somerset County Council had signed up. The impact of other partners not signing up or dropping out had also been assessed, with exercises conducted to gauge the potential impact. It was felt that this was of low risk to the project.

Councillor North enquired why the revenue expenditure costs of the project were not inflation accountable. The Lead Officer confirmed that the Council had always produced financial models with a flat line of inflation. If the model was inflation linked, the figures would theoretically balance each other out through rent reviews. It was also revealed that a break even analysis had not been considered.

Councillor Pinnock enquired as to how the HUB partners will affect the governance of the Council. It was felt that the project would likely result in front office functions being delivered differently to how they are currently. The Partnership Operating Board would be responsible for front office operations in the HUB and how the site would be collectively managed. The hope for the future would be to incrementally transform the way the Council offers services i.e. themed areas such as

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| | <p>vulnerable young people and homelessness.</p> <p>Councillor Bradshaw asked what the role of Members would be within the HUB. This had been discussed internally; however it was felt that it was a delicate subject due to political issues. The overall feeling was that politics should not be brought into front office functions. An Information Governance Protocol with Somerset County Council was recently proposed to the project team which involved a development of a community profile, in order for Members to help understand issues in their ward's more.</p> <p>The Co-opted Member stated that there was not very much evidence to show that targets were being actioned and asked for examples of other Councils who ran HUBs. It was revealed that Baines and Cornwall Council and North Somerset Council had been looked at. An issue was also raised of the problem of transport to Shepton Mallet that some people would have. It was revealed that there had been discussions of delivering services through sub hubs and mobile libraries.</p> <p>It was stated that no extra staff had been taken on to replace secondments; instead a flexible approach to working had been adopted, with some day to day management functions being picked up by others in the team.</p> <p>Chris Rockery added that this project laid outside of Grant Thornton's audit function of the Council.</p> <p>RESOLVED</p> <p>That the progress on the Mendip HUB be noted</p> | |
| 7 | <p>Internal Audit Activity 12 Months to end March 2013</p> <p>Lisa Fryer introduced the report by summarising the key findings. On page 3, the engagement strategy audit had been finalised. There were some positives to be taken from the audit and there was evidence of the Council engaging with the community. However, the lack of a public forum had resulted only in a partial assurance.</p> <p>Councillor North asked why the previous forum was suspended. The response was that the suspensions were due the forums not being effective. Members were asked if they required audit recommendations for public forums. It was agreed that these recommendations would come back to the next Audit Committee. Representatives from the Council could also come along and hold questions. The Lead Officer added that 'Meet the Cabinet' sessions were also being arranged.</p> <p>The themed review of Treasury Management and the Asset</p> | <p>Lisa Fryer</p> <p>Adam Savery</p> |

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| | <p>Management follow up were yet to be started.</p> <p>With regards to the Operational Audits, a previous concern had been raised in the Markets Income Review over large amounts of cash being handled. It was felt that these procedures had improved. Some concerns still existed over the lack of an alternative method of payment besides cash.</p> <p>From the finalised Key Control Audits, Capital Accounting was the weaker part relating to asset management. Previous assurances had been given to address weaknesses identified in previous reviews. It was felt that this progress has been very slow, therefore only a partial assurance was given.</p> <p>With regards to Debtors, SWAP revealed there was no consistent approach to follow up outstanding debts after automatic reminders finished. There had been some success in the proactive responses the Council had taken to recoverable debts. However, some concern remained over debt which had not been followed up and has now become unrecoverable. It was felt that this needed to be reviewed and resulted in a partial assurance.</p> <p>Chris Rockery added that those figures would be of interest to Grant Thornton depending on the non recoverable figure.</p> <p>The Lead Officer added that the vast majority of short term debt had been recovered, but new debt would arise each month. It was felt that new debt is managed well, but old debt was not managed so well.</p> <p>The Co-opted Member asked whether the Market Income had been completed by the 1st April deadline. The Lead Officer was unaware that it had been and presumed the deadline had not been met. The Lead Officer would determine if there was a new deadline set.</p> <p>RESOLVED</p> <p>That the report be noted and that SWAPs recommendations on public forums be considered at the next Audit Committee.</p> | <p>Adam Savery</p> |
| <p>8</p> | <p>External Audit Plan</p> <p>Liz Cave, representative of Grant Thornton, gave a presentation. The principles of the approach for the external audit were set out by Liz Cave, in order to help with the understanding of challenges and opportunities which form the Audit:</p> <ol style="list-style-type: none"> 1. Financial position - currently including concern over the budgeting of New Homes Bonus, where the short term | |

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| | <p>money available can mask future gaps in the budget. It was confirmed that the risk arose from projecting in the Medium Term Resource Strategy element of incorporating inflation and grant reduction resulting in budget deficit. £1.25 million in 2014-15 and £2 million in 2015-16</p> <ol style="list-style-type: none"> 2. Challenges arising from the Local Government Finance Act – the consideration of financial planning arrangements in place 3. Savings plans and local challenges – including reviewing progress of the HUB project. 4. Accounts – A review of the progress actions taken in response to audit recommendations from 2011-12. <p>Councillor North requested that it be noted that the Council had identified financial opportunities.</p> <p>Some of the printed report was too small to be read, and would be circulated to Members after a small amendment (the removal of the third row under ‘significant risks identified’ on page 5. It was felt that ‘issues arising from prior year’ was not a significant risk. However, two significant risks remained; the revenue cycle including fraudulent transactions and management override of controls.</p> <p>Liz Cave drew Members’ attention to the recommendation from the results of the interim audit work; to change the authorisation limit for journal entries from £500,000 to £100,000.</p> <p>Under value for money, Members were reminded that the assessment criteria were financial resilience and the economisation, efficiency and effectiveness in the Council’s use of resources.</p> <p>The Co-opted Member queried why the first point on slide 17 was not included. It was confirmed that this had not been intentional.</p> <p>RESOLVED</p> <p>That the report be noted</p> | |
| <p>9</p> | <p>External Audit Progress Report</p> <p>Chris Rockery, representative of Grant Thornton, gave a presentation on the progress of the external audit, during which the following points were summarised:</p> <ul style="list-style-type: none"> • The Accounts Audit Plan had been completed and presented in the previous item of the current meeting. • The Interim Accounts Audit had undertaken early | |

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| | <p>substantive testing, the results of which were satisfactory.</p> <ul style="list-style-type: none"> The assessment of IT security was still ongoing. <p>RESOLVED</p> <p>That the report be noted</p> | |
| 10 | <p>Quarter 3 Medium Term Resource Strategy – Revenue Budget Monitoring</p> <p>This report provided an update of the Council’s financial position at the end of the third quarter of 2012/13 with an assessment of the impact of current financial projections on the Council’s balances. It gave details of the levels of Money the Council was collecting from Council Tax and Non Domestic Rates along with an aged analysis of the Council’s outstanding Sundry Debtors</p> <p>The Lead Officer introduced the report by stating that the projected output of £74,000 overspend had come down from £400,000. The Council was in process of going through the final output position and were confident that overspend will be reduced further.</p> <p>Provisional figures would be available internally in May, to produce accounts in their entirety for the auditors by the end of June. These figures should be available to come back to the next Audit Committee, however timescales were tight. The Lead Officer disclosed that, as of Monday 15th April, the Council was on target with all of the tasks on finance.</p> <p>On page 4, collection rates for Council Tax and Business Rates were on target and slightly above target respectively. Councillors felt that a lot of positives could be taken from the report.</p> <p>RESOLVED</p> <p>That the report be noted.</p> | Adam Savery |
| 11 | <p>Pensions Liability Update</p> <p>The Lead Officer gave a verbal report to Members about the Council’s Pensions liability.</p> <p>The Audit Committee had requested a report on the impact on accounts funding the pension’s deficit on accounts. For maintaining the pension’s fund, the Council have actual valuations on a three year basis, process which would start</p> | Adam Savery |

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| | <p>from May 2013 and it would seem prudent to wait for that before the Committee went into detail in the current report.</p> <p>£240,000 to £450,000 on the years up until 2018/19 would be added as top up figures to the pension scheme from the Council.</p> <p>Members were agreed to wait until the autumn to take check of the situation</p> <p>RESOLVED</p> <p>That the presentation be noted and the report be considered by the Audit Committee in the autumn</p> | |
| 12 | <p>Urgent Business</p> <p>None.</p> | |

The meeting closed at 8.20 pm.