

AUDIT SCRUTINY COMMITTEE

21 MARCH 2019

Present:

Councillors Hockin (Vice-Chairman), Dewhirst, Connett, Haines, Peart, Thorne and Wrigley

Apologies:

Councillors Clarence and Jones

Officers in Attendance:

Sue Heath, Audit Manager

Amanda Pujol, Interim Head of Service Delivery and Improvement

Clare Moors, Principal Technical Accountant

Graeme Smith, Coastal Officer

Mark Devin, Democratic Services Officer (Exeter City Council)

Julie Masci, Engagement Lead Grant Thornton

Andrew Davies, Engagement Manager Grant Thornton

1. MINUTES OF PREVIOUS MEETING

The minutes of the Audit Scrutiny Committee meeting held on 13 December 2018 were confirmed as a correct record and signed by the Chairman.

2. DECLARATIONS OF INTEREST.

The following Member declared an interest as indicated:-

| COUNCILLOR | MINUTE |
|-------------------|---------------|
| Connett | 6 |

3. EXTERNAL AUDIT PLAN - GRANT THORNTON

Julie Masci, Engagement Lead from Grant Thornton, presented the External Audit Plan for year ending 31 March 2019, which detailed the approach and scope of work for 2018/19.

Members were informed of the significant risks, noting that any significant findings would be communicated in the Audit Findings (ISA 260) report and that the agreed Materiality was £1.522M, equating to 2% of the prior year gross expenditure. Value for Money arrangements were discussed, which identified significant risks and that an interim visit to monitor Council systems for the audit logistics would be fed back in July 2019, however the Audit fees had reduced to £37,240.

It was explained the External Auditor were required to report on work for the Council, however the Housing Benefit Audit, would require a separate appointment, following changes made by the Public Sector Audit Appointments (PSAA).

In response to questions from Members, the Engagement Lead explained:-

- The £68,000 materiality level, ensured a set level for truth and fairness and anything above that figure would require a management opinion. Reducing the threshold level would require more testing of accounts with a cost to the Council. Errors under the £68,000 level were logged and anything above the level was reported to the Audit Scrutiny Committee.
- Significant risks were allocated under the code of practice, which identified challenges at the Council and areas to focus on.

Resolved

That the Audit Scrutiny Committee note the report.

4. AUDIT PROGRESS REPORT - GRANT THORNTON

Andrew Davies, the Audit Manager from Grant Thornton, presented the progress update report, highlighting Grant Thornton's External Audit commitment and that Teignbridge District Council would provide a response to this later in the year. Member's attention was drawn to the key progress points, which identified a resilience risk, which work had started on.

The Audit Manager (Grant Thornton) commented on the areas of significant risk, substantive testing and journal entry controls, noting that the Council must publish its expenditure when it undertakes sampling expenses and that errors had been identified with the grants certification work and fees charged for 2017/18, and would be followed up.

Members discussed the information provided to them for significant decision making, notably on land acquisition, SW Mutual Bank, and Newton Abbot Town Centre. Members discussed the options for the External Auditors to address reports brought forward to them. The External Auditors agreed to review the three reports on behalf of the committee.

In response to questions from Members, the Audit Manager explained:-

- The Housing Benefit Audit was undertaken separately, following the appointment of an auditor and that it didn't reduce the materiality figure as the expenditure remained in the financial statements;
- Until Universal Credit was brought in, the impact to the Housing Benefit subsidy and benefits would be unknown. The focus of the Housing Benefit audit was to provide assurance to the Department for Work and Pensions (DWP) audit claim was that it was accurate;

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- Council reports were not specifically reviewed by Grant Thornton, any concerns about the reports should be presented to the Monitoring Officer;
- Unless an issue was raised about the lack of training, it would be not be highlighted by Grant Thornton;
- There was a mixed approach to appointing independent persons to sit on committees across different Local Authorities.

Resolved

That the Audit Scrutiny Committee note the report.

5. UPDATED TREASURY MANAGEMENT LIST

The Principal Technical Accountant presented the Treasury Management list, which had been approved at Full Council on 18 February, as part of the budget report. She explained where changes had been made, highlighting the new external borrowing liability benchmark chart, which was based on the current Capital Programme. The chart would be used to support decision making for determining and managing borrowing. Other changes noted, were the inclusion of Non-Financial investments to the list and that Natwest Bank had been moved to a tier one lender.

In response to Member questions, the Principal Technical Accountant, explained:-

- Information from the Capital Programme was used to produce charts and cash flow forecasts to support the monitoring of both internal and external borrowing;
- The Liability Benchmark was a tool which allowed measured borrowing decisions to be made in relation to the amount and maturity profile of loans, which managed the interest rate exposure. The chart, shown in the report, showed that the Council's net exposure to external borrowing in the four year period of 2019-2023, would be around £45 Million if all the proposed projects went into the Capital Programme.
- To provide assurance to Members, the Treasury Management function received an annual audit to ensure key controls were in place and that procedures were followed. The Treasury Management function consistently received an excellent audit assurance opinion;

Resolved

That the Audit Scrutiny Committee note the report.

6. INTERNAL AUDIT OF THE HOUSING CONTRACTS MANAGEMENT - VERBAL REPORT

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The Interim Head of Service Delivery and Improvement, presented a verbal update report, explaining that a separate audit had been requested on the shared service arrangements. She explained the completed and outstanding actions and highlighted that there were a significant number of third party contracts for the Housing options to support homelessness.

She discussed the development of the Housing Contract Procurement, Monitoring process and contracts, noting that the compliance performance reports at the end of the year for the homeless were focussed on outcome.

In response to questions from Members, the Interim Head of Service Delivery and Improvement explained:-

- The age range considered for young people in the Teignbridge Contract for homelessness was 16-17 years of age and the criteria for classifying young people was based on the homeless legislation. There were some circumstances to support adults, but classification was done on a case by case basis;
- There were separate agreements for the Young Devon Homeless Prevention services for Devon County and Teignbridge District Councils.

Resolved

That the Audit Scrutiny Committee note the report.

7. TEIGN ESTUARY AND COASTAL PARTNERSHIP AUDIT - VERBAL UPDATE

The Coastal Officer presented a verbal update report on the Teign Estuary and Coastal Partnership audit, explaining that there had been stakeholder drop in sessions held in Teignmouth, Newton Abbot and Dawlish to inform priority setting for 2019-2024. This consultation had also been online and formed a significant part of the Forum at the end of February attended by 140 individuals/groups. The results had been presented to the Partnership's Steering Group on the 19th March, who were scheduled to sign off the five-year priorities in June. This was the reason for the report coming to the Audit Scrutiny Committee in a verbal format.

He updated Members on the proposed format of the Teign Estuary and Coastal Partnership Action Plan which would be used at the next Steering Group. The format highlights longer term priorities as well as accommodating smaller tasks/projects to be undertaken as opportunities such as availability of external resources became available. It was also understood that two further prospective Partners were considering joining the Partnership as formal members.

Members welcomed the update from the Coastal Officer and requested additional information be made available in a written report for the July meeting.

Resolved

That the Audit Scrutiny Committee note the report.

8. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the Internal Audit Progress Report which advised Members of the recent progress against the Audit Plan and the outcomes of the completed audits. Members noted that of the 23 audits, 19 had been completed with three outstanding. The Audit Manager explained that the Human Resources recruitment had been postponed until the new iTrent system went live in October 2019.

The Audit Manager commented on the external quality review to measure the service against the Public Sector Audit Standards, and that the results would be presented at the next Audit Scrutiny. She referred Members to the information governance update in the report, providing an update on the work completed by the audit team. There had been no reportable data breaches reported and that 23 Subject Access Requests (SAR) had been received since GDPR.

In response to questions from the Members, the Audit Manager explained:-

- The response rate for the Freedom of Information (FOI) received at Teignbridge District Council was considered to be good and the Council complied with the FOI Code of Practice where possible;
- The Payroll Audit was postponed due to the iTrent project;
- There was a process in place for FOI requests, where they are deemed manifestly unreasonable, were repeating the same requests or were vexatious;
- The iTrent project was part of a Strata convergence project with other Local Authorities;
- A report on lessons learnt for future projects had been requested, and findings could be presented to the Audit Scrutiny Committee.

Resolved

That the Audit Scrutiny Committee note the report.

9. FINANCIAL INSTRUCTIONS AND CONTRACT RULES WAIVERS REPORT

The Audit Manager presented the report which informed Members of the number of times the Financial Instructions and Contract Procedure Rules had been waived and the reasoning for it. She referred Members to the six waivers in the report which had been processed since the December 2018 monitoring report and noted that they were all valid. The Photo-voltaic panels waiver had been included although it was found that the relevant quotations had been obtained, hence a waiver was not strictly necessary.

Resolved

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That the Audit Scrutiny Committee note the report.

Chairman