

**MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER, FOLLATON HOUSE, PLYMOUTH ROAD,
TOTNES ON THURSDAY, 9 MARCH 2023**

Members in attendance			
* Denotes attendance			
∅ Denotes apology for absence			
*	Cllr L Austen (Chairman)	*	Cllr R Rowe
∅	Cllr J Brazil	*	Cllr B Spencer (Vice-Chairman)
*	Cllr J McKay	*	Cllr B Taylor
*	Cllr J T Pennington		

Member(s) also in attendance:
Cllrs H D Bastone; N Hopwood (via Teams) and J Pearce

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer; Director – Strategy & Governance; Head of Finance; Democratic Services Manager; Assistant Director – Strategy & Organisational Development (via Teams); Internal Audit Manager; Principal Accountants (via Teams); Principal Auditor (via Teams) and External Auditor (via Teams).

AG.32/22 MINUTES

The minutes of the Audit and Governance Committee meeting held on 24 November 2022 were confirmed as a true and correct record.

AG.33/22 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but there were none made.

AG.34/22 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Committee considered a paper from Grant Thornton that provided a progress update on delivering their responsibilities as the Council's External Auditors.

In discussion, the overriding focus of the debate was on the delay to the Financial Statements Audit for 2022/23. In particular, the Committee noted that Grant Thornton representatives had informed the Council that that the Audit fieldwork would be delayed due to their audit resourcing shortages. As a result, the audit opinion would be delivered after the September 2023 publication date.

Whilst appreciating the recruitment challenges, Members expressed their serious concerns over the delay and additional recommendations were therefore **PROPOSED** and **SECONDED** that sought to reflect their disappointment. These additional recommendations read as follows:

2. *that serious concerns be expressed about Grant Thornton's ability to deliver the promised external audit service in a timely fashion and in particular to provide audited accounts before the national target date for audited accounts of the end of September 2023. Their continued staffing problems should not be used as an excuse for less than satisfactory service standards.*
3. *that these delays will cause SHDC considerable additional work and are likely to mean that we will suffer adverse reputational risk as our Accounts will not be audited by the target date of September 2023.*
4. *that at the next meeting Grant Thornton be asked to present a detailed plan, including time scales, showing what actions they propose to take to restore an acceptable level of service and to address their shortage of experienced audit staff.*

In the consequent debate, reference was made to:

- the negative reputational impact on the Council. In addition, the delay was considered to be particularly unfair on Council officers;
- Grant Thornton representatives being unable to confirm that there would not be any further delays;
- the situation being particularly galling given the substantial increase in Audit fees that the Council was now required to pay;
- the wish of Members to see a detailed Action Plan from Grant Thornton at the next Audit & Governance Committee meeting;
- the amount of required fieldwork for local authority audits was felt to be wholly disproportionate.

It was then:

RESOLVED

1. That the contents of the Grant Thornton Audit Progress Report and Sector Update be noted.

2. That serious concerns be expressed about Grant Thornton's ability to deliver the promised external audit service in a timely fashion and in particular to provide audited accounts before the national target date for audited accounts of the end of September 2023. Their continued staffing problems should not be used as an excuse for less than satisfactory service standards.
3. That these delays will cause SHDC considerable additional work and are likely to mean that we will suffer adverse reputational risk as our Accounts will not be audited by the target date of September 2023.
4. That, at the next meeting, Grant Thornton be asked to present a detailed plan, including time scales, showing what actions they propose to take to restore an acceptable level of service and to address their shortage of experienced audit staff.

AG.35/22 PROPOSED INTERNAL AUDIT PLAN FOR 2023-24

The Leader presented a report which sought to provide Members the opportunity to review and comment upon the proposed internal audit plan for 2023/24.

In discussion, a request was made for Committee Members to be sent a copy of the four-year Audit Plan for their information and reference. In reply, officers committed to sending a copy to Members outside of this Meeting.

It was then:

RESOLVED

That the proposed Internal Audit Plan for 2023-24 (as set out at Appendix A of the presented agenda report) be approved.

AG.36/22 UPDATE ON PROGRESS ON THE 2022-23 INTERNAL AUDIT PLAN

Consideration was given to a report that updated Members on progress made against the Internal Audit Plan for 2022-23.

In discussion, the following points were raised:

- (a) With regard to customer satisfaction, the Committee noted that the Team had received no recent returns. As a result, officers were committed to placing greater emphasis on obtaining feedback from audits;

- (b) By way of an update to the Corporate Strategy and Performance Management audit, officers confirmed that a suite of Key Performance Indicators were now formally reported to both the Executive and the Overview & Scrutiny Committee.

It was then:

RESOLVED

That the progress made against the 2022/23 internal audit plan, and any key issues arising be noted and approved.

AG.37/22 **2023/24 CAPITAL STRATEGY, 2023/24 TREASURY MANAGEMENT STRATEGY AND 2023/24 INVESTMENT STRATEGY**

Members reviewed a report that outlined the proposed Capital Strategy, Treasury Management Strategy, and the Investment Strategy for the 2023/24 financial year.

In discussion, officers confirmed the intention for this matter to be presented to the Full Council meeting on 30 March 2023 as a standalone agenda item.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** to:

1. approve the 2023/24:
 - Capital Strategy (as attached at Appendix A of the published agenda report);
 - Treasury Management Strategy (as attached at Appendix B of the published agenda report); and
 - Investment Strategy (as attached at Appendix C of the published agenda report); and
2. delegate authority to the Section 151 Officer, in consultation with the Leader of the Council and the lead Executive Member for Finance, to make any minor amendments to these Strategies if required throughout the 2023/24 Financial Year.

AG.38/22 **BUDGET BOOK 2023/24**

Consideration was given to a report that set out the Council's Revenue Budget for the year which had been detailed into the four Directorates of Customer Service and Delivery; Place and Enterprise; Governance and Assurance; and Strategic Finance.

During discussion, reference was made to:

- (a) the Council's Treasury Management activities. The Committee acknowledged that officers monitored the Council's Treasury Management activities on a daily basis and it was anticipated that the Council would generate £1 million through this means for 2022/23. In response, Members wishes to formally put on record their thanks to those lead officers for Treasury Management;
- (b) cost centres being allocated mid-year to different Directorates. When questioned, officers confirmed that, to ensure accuracy of reporting lines, any such moves would be accounted for during the year by a virement;
- (c) the use of landline telephones. A Member questioned as to why the Council was spending almost £40,000 per annum on landline telephones. In response, the Section 151 Officer stated that this would be for the core infrastructure for telephony e.g. the contact centre.

It was then:

RESOLVED

That the content of the Budget Book for 2023/24 be noted.

AG.39/22

SHARED SERVICES METHODOLOGY 2022/23

The Deputy Leader outlined the report that explained the methodology for apportionment of costs between South Hams District and West Devon Borough Councils. The majority of the costs related to staffing costs. It was noted that the change in the apportionment relating to the Waste and Recycling Service resulted from the Service returning to the Council's control from October 2022.

In discussion, Members were informed that an equivalent version of this report was to be considered by the Audit & Governance Committee at West Devon Borough Council on 14 March 2023.

It was then:

RESOLVED

That the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council for 2022/23, as shown in Appendix A of the presented agenda report, be noted.

AG.40/22 TREASURY MANAGEMENT MID-YEAR REVIEW

Members considered a report that set out the Council's annual Treasury Management Mid-Year Review.

In discussion, it was acknowledged that Treasury Management had been debated during consideration of the Council's Budget Book (Minute AG.38/22 above refers).

It was then:

RESOLVED

That the contents of the report be endorsed.

AG.41/22 STRATEGIC RISK REGISTER

In accordance with the Risk and Opportunity Management Strategy adopted by Council in 2018, the Audit Committee was presented with a report that formed the required bi-annual update.

In discussion, the risks associated with the all-out local elections in May 2023 were recognised.

It was then:

RESOLVED

1. That the six-monthly strategic risk update as set out in Appendix A of the published agenda report has been reviewed; and
2. That it be noted that officers would review and update the Council's Risk and Opportunity Management Strategy with a revised draft to be considered by the Committee at its next meeting.

AG.42/22 SUNDRY DEBT

Consideration was given to a report that provided Members with an update of the position of Sundry Debt and Housing Benefits Overpayments up to 31 January 2023.

In discussion, a Member questioned what benchmarking was undertaken against the housing benefit overpayment debt levels across other local authorities in the county. In reply, it was agreed that officers would be tasked with contacting their local counterparts in order to draw comparisons, with the results of this task then being included as part of the next published Committee report.

It was then:

RESOLVED

That the position in relation to Sundry Debt be noted.

AG.43/22 **CHAIRMAN'S CONCLUDING REMARKS**

As this was anticipated to be the last Committee meeting of the 2022/23 Municipal Year, the Chairman thanked all Members and the lead officers for their commitment and diligence during the last four years of this Council administration.

(Meeting commenced at 2:00 pm and concluded at 3.20 pm)

Chairman