

**MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE  
HELD IN THE COUNCIL CHAMBER, FOLLATON HOUSE, PLYMOUTH ROAD,  
TOTNES ON THURSDAY, 28 MARCH 2024**

<b>Members in attendance</b>			
* Denotes attendance			
Ø Denotes apology for absence			
*	Cllr L Bonham (Chairman)	*	Cllr C Oram
*	Cllr S Dennis	*	Cllr A Presswell
*	Cllr D Hancock	*	Cllr S Rake
*	Cllr A Nix (Vice-Chairman)	*	Cllr G Yardy

<b>Member(s) also in attendance:</b>
Cllr Brazil

<b>Item No</b>	<b>Minute Ref No below refers</b>	<b>Officers and Visitors in attendance</b>
All Items		Section 151 Officer; Director for Strategy and Governance; Head of Finance; Principal Accountant; Senior Democratic Services Officer.

**AG.41/23 URGENT BUSINESS**

The minutes of the Audit and Governance Committee meeting held on 14 December 2023 were confirmed as a true and correct record, subject to the following change regarding minute AG.35/23: AG.14/23 – Kingsbridge and Dartmouth to be included as part of the audit report. As this was only applicable to Totnes, Kingsbridge and Dartmouth would not be included as part of the audit report. To be amended to - *once assurances were in place at Totnes Market this would then be shared with the other markets.*

**AG.42/23 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.43/23 GRANT THORNTON – AUDIT OPINION ON THE 2022/23 STATEMENT OF ACCOUNTS**

The External Auditor took Members through the report. He confirmed that he was intending to give an unqualified audit opinion following the meeting. The External Auditor advised the Committee that there were two main changes to the financial statements both of which related to information provided to the Council by external advisors. These were:

- A valuation error on one of the Council's leisure centres undervaluing the asset by £0.3m
- An updated pension position from the Actuary following guidance issued by CIPFA regarding the application of IFRIC14. This moved the overall pension position from a small asset of £2.4m

to a small pension liability of £2.2m.

The External Auditor confirmed that these changes do not impact on the Council's outturn for 2022/23 or usable reserves.

The materiality for 2023/24 was just over £1.1m, with the trivial level being £57k. Anything under the trivial level is not required to be reported formally, however any findings would be discussed with the S151 Officer.

The External Auditor spoke on the recommendations in the report and cyber security training was highlighted as a medium risk as there was some training outstanding. Retention of Councillor information was also highlighted. Every Councillor must respond annually to request for information required. A recommendation was made around creating a change in circumstances report to enable the auditors to test the payroll system for changes in working patterns and hours. It was also noted that journal system controls were in place although with the number of journals posted, only journals over £25,000 are reviewed, hence it being flagged as a risk. However, the controls are considered proportionate to the risks.

In discussion, particular reference was made to:

- The reason and timing of the adjustment to the value of the pension position.
- The IT risk register and in particular the upgrade to Civica Financials. The Head of Finance confirmed that this was a top priority and the system would be upgraded once the accounts for 2023/24 were closed.

It was then:

#### **RESOLVED**

The Audit and Governance Committee noted the contents of the report *and actions recommended by the External Auditor be added to the Audit Tracker.*

AG.44/23

#### **AUDITED ANNUAL STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND AUDITED SUMMARY ACCOUNTS 2022/23**

Consideration was given to the Audited Annual Statement of Accounts, Annual Governance Statement and Audited Summary Accounts 2022/23.

In discussion, particular reference was made to the summary of the accounts. This was currently available electronically on the Council's website, however it was requested that hard copies were provided for Members to be able to circulate.

It was then:

**RESOLVED**

The Audit and Governance Committee approved:

1. The wording of the Letter of Representation (Appendix A)
2. The audited Statement of Accounts for the financial year ended 31 March 2023 (Appendix B).
3. The Annual Governance Statement post audit (Appendix C)
4. The *audited* Summary of Accounts for the financial year ended 31 March 2023 (Appendix D).

AG.45/23

**BISHOP FLEMING – AUDIT PLAN FOR THE 2023/24 STATEMENT OF ACCOUNTS**

Consideration was given to Bishop Fleming's Audit Plan for the 2023/24 Statement of Accounts. This was the initial audit plan for the year and their approach to the assessment of risks and materiality were very much the same as Grant Thornton's. The External Auditor confirmed that they had received good engagement with management to help inform the main risks.

In discussion, particular reference was made to:

- Bishop Fleming want to bring the timeline back to achieve the end of September deadline but appreciate that this would be a challenge for management given their current commitments especially being a shared service. The plan was to conduct the 2023/24 audit over the summer with a view to signing off the accounts in the Autumn. It was hoped that for 2024/25 the audit could be completed in line with the deadline of 30 September 2025. Bishop Fleming were very confident that the timeline would be achieved. By July they would have a better understanding and were happy to comeback then to provide an update to Members.
- The S151 Officer confirmed that the plan was to publish the draft accounts at the July Committee meeting but the timeline is subject to the valuations for the fixed assets being received on time and the S151 Officer described the current difficulties being experienced with the current external supplier. Value for Money work has already started for 2023/24.
- When the external auditor was asked about audits nationally for the private sector and the public sector, the External Auditor explained that some organisations were facing financial difficulties and how this can be prevented. The External Auditor felt that auditors needed to step back and look at the bigger picture rather than focussing on the scale and complexity of the accounting standards requiring audits to get into the minutiae detail. Bishop Fleming undertake the time to understand the bigger picture and their blend of staff would add value to the audit.
- The External Auditor confirmed that they ensure that they focus on longer term forecasts and the strategy for reserves to support the going concern assessment.
- They have a commitment to ensure sustainability when auditing accounts.

It was then:

**RESOLVED**

The Audit and Governance Committee noted the contents of the report.

AG.46/23 **PROPOSED INTERNAL AUDIT PLAN FOR 2024/25**

Consideration was given to the report which provides Members with the opportunity to review and comment upon the proposed internal audit plan for 2024/25. It was reported that:

- This was Members' opportunity to ensure the right amount of time was spent looking at different matters.
- The planning process commenced in December 23 with regular discussions with the SLT.
- Planning to spend time within the different directorates and ensuring good coverage across the authorities.

In discussion, particular reference was made to:

- Car parking and why the timeline stated 'TBC' for 23/24? It was reported that car parking was being finalised and the audit team want to bring back a completed report to the committee. This was not set in stone and would be relooking at this.
- Audit management involved time to manage the plan and review the work of the two auditors, ensuring the knowledge were it needs to be and to keep up to date with the wider issues with other district councils that could be applicable to SHDC.
- They had just undertaken work relating to the waste when the service was taken back in house. This could be looked at again if required.
- Salcombe Harbour Board and the duplication in the auditing of the harbour board, it was reported that they try to avoid areas that were more specialised but ensure process and policies were in place. This could be looked at to reduce duplication.
- Currently the auditing of outside bodies was not in the plan. The management of partnerships has a scope to include outside bodies and it was suggested that this was brought forward.
- Ensuring policies were being followed on the use of social media.

It was then:

**RESOLVED**

The Audit and Governance Committee approved the proposed Internal Audit Plan for 2024-25 at Appendix A.

AG.47/23 **UPDATE ON PROGRESS ON 2023/24 INTERNAL AUDIT PLAN**

Consideration was given to the report which informs Members of the principal activities and findings of the Council's Internal Audit team. It was highlighted that there was a positive update and limited assurance

on the Totnes Market and ensuring traders and officers' integrity were protected from allegations.

In discussion, particular reference was made to:

- The work undertaken by DAP with the Traders on what would work for them in the future and once agreed at Totnes would share the learning with the other markets.
- Annual car parking fines were around £190k.
- The debt of £3k for Dartmouth Ferry related to businesses that have an account.
- Cyber security and recognised the ever-increasing risk. This was a high risk and the Council undertook annual testing and desktop exercises on a cyber-attack and how we would recover. We have the systems in place and this would remain a high risk and we ensure we manage the risk.
- A report on revenues and benefits would go to the Executive in the summer.
- There would be some limited exemptions to the second homes premium and the Government will issue future legislation on these exemptions.
- The collection of peppercorn rents was not economically viable and further detail will be provided to the Committee regarding the Council no longer issuing invoices for these small amounts and the associated legal position.

It was then:

### **RESOLVED**

The Audit and Governance Committee noted and approved the progress made against the 2023/24 internal audit plan, and key issues arising.

## **AG.48/23 INTERNAL AUDIT TRACKER**

Consideration was given to the report which sets out to update the Committee on progress against Internal Audit recommendations since the previous update in September 2023. This report was encouraging and addressed the issues as well as highlighting the high priority risks.

In discussion, particular reference was made to:

- The Internal Auditor being part of the decision process and would welcome the Committee to review the tracker to provide some advice and to add another layer of reassurance.
- Agricultural planning advice and the limited market for this advice. This has been a high priority item for 2 years, we receive a good service, and it has been suggested that we need to test the market.
- Asset management in any organisation was crucial.

It was then:

**RESOLVED**

The Audit and Governance Committee noted the progress update against implementation of Internal Audit Recommendations as set out in this report.

**AG.49/23 SHARED SERVICES METHODOLOGY 2023/24**

Consideration was given to the report which outlines the methodology for the apportionment of costs (predominately staffing costs) between South Hams District Council and West Devon Borough Council. The report ensures the openness and transparency on how shared services were apportioned.

In discussion, particular reference was made to:

- The methodology on the split between the two councils and identifying the cost drivers on where a team was spending their time.
- Why SHDC had more employees than WDBC and this was because SHDC have a direct labour force for waste and in WDBC the waste service was outsourced.
- The appropriate cost drivers for apportioning the salary costs of the housing team. This was a fluid document with a tolerance level of 3% and it was felt that this was a reasonable representation for the year.

It was then:

**RESOLVED**

That the Audit and Governance Committee notes the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council for 2023/24, as attached in Appendix A.

**AG.50/23 TASK AND FINISH GROUP UPDATES**

A response on funding options had now been received from Yealm Community Energy for the group to consider. A meeting to be convened to discuss the options.

A second St Ann's Chapel meeting would be taking place to draft the report.

The JLP would be a joint task and finish with Overview and Scrutiny in the autumn.

**AG.51/23 BUDGET BOOK 2024/25**

Consideration was given to the report which sets out the Council's Revenue Budget for the year into the four Directorates of Customer Service and Delivery, Place and Enterprise, Strategy & Governance and Strategic Finance. This report was brought to the Committee in March every year and reflected the budget changes approved in the Medium

Term Financial Strategy and the Budget for 2024/25.

It was then:

**RESOLVED**

That the Audit and Governance Committee noted the content of the Budget Book for 2024/25.

AG.52/23 **COMMITTEE WORKPLAN**

Members were presented with the latest version of the Committee Workplan and noted its contents.

In discussion particular reference was made to:

- The meeting scheduled for 17 October 2024; this meeting could be brought forward but would be dependent on the external audit.

The Chair on behalf of the Committee gave thanks to Jackson Murray and welcomed Bishop Fleming.

(Meeting commenced at 2.30 pm and concluded at 5.26 pm)

---

Chairman