

Audit Committee

This report summarises the items considered by the Audit Committee on 23rd July and 27th August 2015.

Assessment of Going Concern Status

The Finance Manager introduced the report and advised that the report was a new requirement for the purpose of producing the Statement of Accounts for 2014/15. The report contained snapshots which confirmed that the Council reserves were in a healthy position, the correct governance arrangements were in place to spend money and the Council was overall a viable going concern.

In response to questions from Members, the Finance Manager confirmed that the risks to the 2016/17 budget were:-

- the costs of the works to be completed by the Somerset Rivers Authority.
- a further cut in the Governments Rate Support Grant subsidy.
- A proposed cut in funding by Somerset County Council to the Pathways for Adults (P4A) scheme which funded the Newton Road Homeless Shelter.

During discussion, the Finance Manager also confirmed that:-

- Although the changes to the National Minimum Wage announced in the recent Budget statement could affect a small number of SSDC staff in the Country Park café or at the Octagon Theatre, the major impact was more likely to come from existing contracts with outside organisations.
- The majority of the £1.4m budget underspend in 2014/15 was additional income and the remainder was prudent budget management by service managers rather than overstated budgets.
- The Council's net assets had been reduced by additional pension contributions during 2015/16.

At the conclusion of the debate, Members were content to note the assessment of the Council's status as a "going concern" for the purpose of the Draft Statement of Accounts for 2014/15.

RESOLVED: That the Audit Committee noted the outcome of the assessment made of the Council's status as a "going concern" for the purposes of the draft Statement of Accounts for 2014/15.

Exemptions from Procurement Procedure Rules

The Procurement and Risk Manager advised that the Contract Standing Orders had been updated and renamed as the Procurement Procedure Rules. There were circumstances where it was not appropriate or feasible to abide by the rules and it had been agreed that these exceptions would be reported to the Audit Committee. He also noted that Councils were required to abide by EU Procurement Regulations which covered areas relating to construction works and additional supplies or services not included in an original contract.

In response to questions from Members, the Procurement and Risk Manager advised that:-

- New software purchases usually included the purchase price plus 5 years of maintenance.
- His current projects included a new tender for the electrical work in SSDC buildings, new equipment for the Print Room, unbundling the Broadband contract at the Innovation Centre and keeping the Careline contact centre local to maintain knowledge of the local area.
- A risk sharing basis was usually adopted with suppliers and contractors where a sum was paid on purchase and a sum held back.
- He had resisted on-line e procurement as small traders often struggled to comply, however, Councils would be forced to be fully compliant within 2 years and he had allocated £5,000 complying with this EU directive.

At the conclusion of the debate, the Procurement and Risk Manager agreed to provide a short training session on the broader aspects of procurement at a future meeting of the Audit Committee.

RESOLVED: That the Audit Committee noted the exemptions from Procurement Procedure Rules report.

Risk Management update - Confidential

The Procurement and Risk Manager provided Members with a risk management update. He explained the current risk matrix which was included in District Executive reports and the proposal to move to a dual inherent and residual matrix to explain the existing risk situation and the residual risk after controls were put in place. He also drew Members attention to the TEN risk monitoring dashboard.

In response to a question, the Procurement and Risk Manager advised that there were no plans to use contactless card payment methods for Council services at the current time. It was noted that there was a £20 limit on these transactions.

At the conclusion of the debate, Members were content to agree the recommendations of the report.

RESOLVED: That the Audit Committee agreed:

1. to note the risk report details in the Agenda report.
2. to note the change to member reports to add a second risk Heat map showing risk position if the Council did nothing and risk position if the recommendations contained in the report were approved. Management Board had approved this change.

Treasury Management Performance Quarter 1 to June 2015

The Finance Manager presented the report as detailed in full in the agenda.

In response to a query from Cllr Winder regarding Places for People Capital Markets in the Breakdown Investments Chart, she replied that Arlingclose had introduced them to SSDC and although they were an unknown entity they were currently doing very well and were being monitored by a 'watching brief'.

Since the meeting the Finance Manager confirmed that Places for People Group specialises in the provision of a range of affordable homes for rent and sale. They are a property, leisure management, development and regeneration company in the UK. The £1million invested by SSSC is against a £3billion portfolio.

She also explained that the best deal possible was sought once loans had matured and Arlingclose had predicted an interest rate rise in the near future.

Members were content to note recommendations.

RESOLVED: That the Audit Committee

- Noted the Treasury Management Activity for the three-month period ended 30th June 2015.
- Noted the position of the individual prudential indicators for the three-month period ended 30th June 2015.

Progress of External Auditors Grant Thornton

The Director of Grant Thornton introduced the report and the new Audit Manager, Ashley Allen. She explained that the team was now complete after the recent changes of staff. The 2014/15 final accounts audit was on track and there were no problems that she was aware of, the audit needed to be signed off by the 30th September 2015.

There had been 2 objections to the closing of the 2013/14 audit, details of which were explained to the new members of the Audit Committee: one complaint had not been upheld and the concluding statement to that effect had been circulated a few months ago. The other objection was nearing a conclusion, but the statement affirming the reasons needed to be signed off before being issued to the complainant. Once due process had been carried out the certificate closing the 2013/14 audit would be signed.

It was brought to member's attention that a similar objection could possibly be raised again by the same complainant (as was her right) before the 2014/15 audit could be closed.

The Director of Grant Thornton pointed members to material on their website which Audit Committee members could download and may find useful. She was to meet with both the Assistant Director Finance and Corporate Services and the Assistant Director Legal and Corporate Services shortly regarding the Local Governance Review 2015 and relevant training focusing on the three key issues as detailed in the report: Governance of the organisation ; Governance in working with others and Governance of stakeholder relations.

The Director of Grant Thornton felt that local authorities needed to ensure that their core objectives and values were fulfilled through many other agencies, which suggested a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements were as transparent as possible for stakeholders.

She also referred to the national report: Evolution of Local Governance and Rising to the Challenge she considered that district councils tended to manage better in response to the challenge of austerity.

In conclusion she mentioned that Legislation had recently been passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from

2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit would be reduced by one month and two months respectively. Local authorities and their auditors would have to make real changes in how they work to ensure they could achieve this deadline.

In response, the SSDC Finance Manager replied that SSDC would not have an issue with the change of date as their accounts were usually produced by June each year. The Finance Team work with Grant Thornton throughout the year and they both worked hard to ensure that there were no risks. As requested a copy of the 'Guide to Local Authority Accounts' would be included with the minutes of this meeting.

The chairman concluded that SSDC was aware of the need to ensure that their core objectives and values were fulfilled through many other agencies and SSDC was already looking at integrating services and they already had a good scrutiny set up and a very competent financial team.

Members were content to note the report.

RESOLVED: That the Audit Committee noted the Grant Thornton Audit Committee update

2015/16 SWAP Internal Audit Quarter 1 Update

The Finance Manager explained that the report had been prepared for the Audit Committee to review the progress made on the 2015/16 Annual Internal Audit Plan.

In response to a question the Finance Manager explained that a great deal had been learnt regarding the financial control of Leisure Centres and the knowledge would be put to good use with any future involvement.

RESOLVED: That the Audit Committee noted the progress made
