

MEETING AC.01:0708
DATE 28.06.07

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the Main Committee Room, Council Offices, Brympton Way, Yeovil on **Thursday, 28th June 2007**.

(10.00 a.m. – 12.00 midday)

Present:

Members: Derek Yeomans (in the Chair)

Mike Best	Tom Parsley
Tim Inglefield	Peter Roake
Ian Martin	Alan Smith
Roy Mills	

Officers:

Donna Parham	Head of Finance
Andrew Weston	Senior Accountant
Gerry Cox	Head of Internal Audit Partnership
Tony Richbell	Safety Adviser
Andrew Blackburn	Committee Administrator

Also Present:

Kieron Marston	Audit Manager, Audit Commission
Stephen Clarke	Team Leader, Audit Commission

1. Minutes

The minutes of the meeting held on the 12th April 2007, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

2. Apologies for Absence

An apology for absence was received from Cllr. Paull Robathan, Portfolio Holder for Finance, Revenues and Support Services.

3. Declarations of Interest

There were no declarations of interest.

4. Public Question Time

No comments or questions were raised by members of the public.

5. Annual Audit and Inspection Plan (Agenda item 5)

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Reference was made to the agenda report and the Committee noted that the Audit Commission had submitted its Audit Plan for 2007/08, a copy of which was attached to the agenda. The Plan set out the audit and inspection work that the Audit Commission proposed to undertake for the 2007/08 financial year.

The Chairman welcomed Kieron Marston, Audit Manager, and Stephen Clarke, Team Leader, from the Audit Commission who presented the Plan to the meeting.

Several parts of the Plan were highlighted including those concerning CPA and inspection activity, work under the Code of Audit Practice, particular reference being made to the basis on which the financial audit was undertaken, the Use of Resources assessment including the five themes used to make that assessment and value for money conclusion. Reference was also made to data quality and the importance of that aspect, the auditing of the Best Value Performance Plan and work regarding the Whole of Government accounts and National Fraud Initiative. The basis on which the Audit Commission's fees were charged was also explained.

In response to a question from a member, the Audit Manager commented that the charge to the Council was currently at the scale or guidance fee but the Audit Commission could determine the fee above or below that level, within 30% upwards or downwards, where it considered that substantially more or less work was required. He indicated the basis on which the Council may be able to reduce its Audit and Inspection fees.

The Chairman thanked the Audit Manager and Team Leader for their presentation on the Audit and Inspection Plan.

RESOLVED: that the Audit Commission's Annual Audit and Inspection Plan be noted.

*(Donna Parham, Head of Finance – (01935) 462225)
(donna.parham@southsomerset.gov.uk)*

6. 2006/07 Statement of Internal Control (Agenda item 6)

The Head of Finance referred to agenda item 6 and asked the Committee to consider the 2006/07 Statement of Internal Control, together with the related 2007/08 Action Plan, which was required to demonstrate compliance with the underlying principles of good governance and that a framework existed to demonstrate that there were effective systems of control. The Statement of Internal Control was a key document that formed a part of the Annual Statement of Accounts. The Head of Finance further reported that there was a requirement for an annual report from Internal Audit giving an opinion of the overall adequacy and effectiveness of the Council's Internal Control environment.

Particular reference was made to the report from Internal Audit, which concluded that overall only a partial assurance could be given that internal controls were in place and working well in respect of those services reviewed. It was noted, however, that key financial systems had been found to be operating effectively and that financial management processes were afforded full assurance.

Members were concerned to note those services where only a partial assurance could be given by Internal Audit that they were adequately controlled. Particular concern was expressed about two services where no assurance could be given. The Head of Finance informed the Committee that, as part of the Action Plan, a concerted effort was being made to take action with regard to any outstanding issues. She also mentioned that improved mechanisms were being put in place, including regular monitoring by the Corporate Governance Group of actions that were being taken by managers of the services

concerned, details of which were reported to the Committee. It was noted that, if necessary, that would include a report to the Audit Committee.

The Head of the Internal Audit Partnership explained the context in which these issues had arisen. He indicated that although weaknesses had been identified, the actual delivery of the service was being carried out. He also indicated that once service managers had been made aware of the problems there had been a robust response and issues were being addressed actively.

The Committee was concerned that these weaknesses had occurred and commented that there was a need for an assurance that the shortcomings would be rectified. In respect of the two services where no assurance could be given that internal controls were in place, members asked that a progress report be made to the Committee as a matter of priority giving the up to date position on the outstanding actions needed to rectify the issues identified in the operational audits of those services. The Head of Finance agreed to bring that report forward on behalf of the Corporate Governance Group.

The approval of the 2006/07 Statement of Internal Control as set out in the agenda report was agreed by the Committee.

- RESOLVED:**
- (1) that the 2006/07 Statement of Internal Control, as set out in the agenda report, be approved;
 - (2) that, in respect of the two services where no assurance could be given by Internal Audit that internal controls were in place, a progress report be made to the Committee as a matter of priority giving the up to date position on the outstanding actions needed to rectify the issues identified in the operational audits of those services.

*(Donna Parham, Head of Finance – (01935) 462225)
(donna.parham@southsomerset.gov.uk)*

7. Review of Internal Audit (Agenda item 7)

The Head of Finance referred to the agenda report, which informed the Committee of the recent review of the effectiveness of the delivery of the Internal Audit service through the South West Audit Partnership (SWAP) during 2006/7. The Committee noted that there was a new requirement for authorities to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee such as the Audit Committee as a part of the consideration of the system of internal control.

The Committee noted that the Head of Finance, as Section 151 Officer, had carried out the review and that she had found that the Internal Audit team performed well. That view had been supported by the comments of external auditors, client satisfaction and the Council's 'Use of Resources' scores. There were, however, a number of areas where recommendations had been made to improve practice, which were detailed in the agenda report.

The Team Leader from the Audit Commission commented that he had found the work of Internal Audit to be of a high standard with any issues identified being of an administrative nature, not of quality.

In response to a comment from a member, the Chairman indicated that reviewing the effectiveness of internal audit was a requirement under Government regulations.

The Head of Finance asked the Committee whether a member would like to take part when she carried out the review of Internal Audit next year. The Committee generally agreed that a member should take part in the audit.

- RESOLVED:** (1) that the findings of the review of the effectiveness of the delivery of Internal Audit through the South West Audit Partnership during 2006/7 be noted;
- (2) that a member of the Audit Committee take part in next year's review of the Internal Audit Service.

*(Donna Parham, Head of Finance – (01935) 462225)
(donna.parham@southsomerset.gov.uk)*

8. 2006/07 Annual Statement of Accounts (Agenda item 8)

Reference was made to the agenda report and the Committee considered the approval of the 2006/07 Annual Statement of Accounts. The agenda report outlined the key features of the 2006/07 revenue outturn position, summarised the 2006/07 capital outturn position and presented the 2006/07 Statement of Accounts together with an explanation of the key features and reasons for variations within those accounts.

The Head of Finance summarised the key features of the outturn position including the revenue outturn, carry forwards, revenue balances and reserves, capital outturn and loans.

The Senior Accountant referred to the statement of accounts. He highlighted that the core financial statements had changed significantly from previous years as the Statement of Recommended Practice had been amended to bring local authority statements of account into line with private sector accountancy requirements.

The Senior Accountant then went through the Statement of Accounts and gave an explanation of the core statements including the income and expenditure account, statement of movement on the general fund balance, statement of total recognised gains and losses, balance sheet and cash flow statement. An explanation was also given of the supplementary statements that were required to be produced including the collection fund account and group accounts.

During the presentation, members asked a number of questions in order to clarify points of detail and the basis for some of the entries, which were answered by the officers. Responses to the points raised included the Senior Accountant explaining the way in which fixed assets were accounted for, the reasons for the Council's decision to enter into borrowing to partly fund the capital programme, the reason for the variance in NNDR receipts and the relationship between the Council and the Yeovil Crematorium and Cemetery Joint Committee.

The officers noted the comments of members regarding the colours used in the document and agreed to make them lighter if possible.

Having examined the document and commented on the information presented, the 2006/07 Statement of Accounts was approved by the Committee by the Chairman signing and dating the balance sheet. The Committee thanked the Head of Finance and the Accountancy Team for their work in preparing a clear set of accounts.

RESOLVED: that the 2006/07 Statement of Accounts be approved.

(Andrew Weston, Senior Accountant – (01935) 462542)

(andrew.weston@southsomerset.gov.uk)

9. Internal Audit Second Half-Year Report 2006/2007 (Agenda item 9)

Reference was made to the report of the Head of the Internal Audit Partnership who provided members with a summary of internal audit activity for the period 1st October to 31st March 2007.

In referring to the outstanding recommendations after follow up reviews had taken place, the Head of the Internal Audit Partnership reported that sustainable action plans had been agreed with service managers and the progress made against the agreed actions would continue to be monitored.

RESOLVED: that the half year report of the activities of Internal Audit be noted and accepted.

(Gerry Cox, Head of Internal Audit Partnership – (01458) 257410)
(gerry.cox@southwestaudit.gov.uk)

10. Use of Resources Action Plan (Agenda item 10)

Reference was made to the agenda report and the Head of Finance presented the Use of Resources Action Plan, which was attached to the agenda. The Head of Finance informed members that, although an overall score of 3 had been achieved, there were some elements where a score of 2 had been given, which included aspects of debt collection, risk management and the completion of an ICT strategy. She explained that the aim of the action plan was to achieve a strong 3 judgement by July 2007 together with continuing improvements beyond that time.

The Committee scrutinised the Use of Resources Action Plan during which the Head of Finance responded to members' questions and comments. A number of matters were raised including the following:-

- reference was made to requirement 2.2.19 regarding progress on achieving planned savings and efficiency gains being regularly reported to senior management with developed action plans. A member asked what progress had been made with regard to this requirement. The Head of Finance reported that a meeting had taken place between the Assistant Chief Executive and Procurement and Office Services Manager to ensure that most of the targets were met. Also, the Management Board were working with the Procurement and Office Services Manager to achieve better data on "Gershon" savings;
- with reference to requirement 3.1.11, the Head of Finance confirmed that a working group between Finance, Revenues and Benefits had been convened and was concluding its work in reviewing the costs of debt recovery actions;
- the Head of Finance confirmed that regular reporting arrangements in respect of the monitoring of corporate business risks (4.1.10) were to be included in the Audit Committee's forward plan;
- reference was made to requirement 4.2.12 and the Head of Finance reported that a corporate document showing the Council's key partnerships was being drawn up. She also mentioned that the measurement of the outcomes from key partnerships was to be carried out more thoroughly in future. She further reported that before any grants were awarded it was ensured that the organisation's governance

arrangements were satisfactory. The Council's Financial Procedure Rules were also being looked at to ensure that officers knew how to proceed when dealing with the Council's partner organisations;

- with reference to requirement 4.3.10 (referring to the Council being proactive in raising the standard of ethical conduct amongst members and staff, including the provision of ethics training and counter fraud work being adequately resourced), the Head of Finance confirmed that there was to be a corporate training programme for members and staff. She also indicated that there were closer links between the Benefits Unit and Benefits Fraud Officers;
- reference was made to the section regarding "Value for Money" and the Head of Finance confirmed that work was ongoing by the Management Board, who were looking at a strategy to ensure that the actions required were moved forward.

RESOLVED: that the Use of Resources Action Plan be approved.

(Donna Parham, Head of Finance – (01935) 462225)
(donna.parham@southsomerset.gov.uk)

11. Anti-Money Laundering Policy (Agenda item 11)

The Head of Finance referred to the agenda report, which introduced an anti-money laundering policy for the Council. It was noted that legislation now required local authorities to establish internal procedures to prevent the use of their services for money laundering. She asked the Committee to consider the policy attached to the agenda and to recommend its approval to District Executive.

RESOLVED: that the District Executive be recommended to approve the anti-money laundering policy as attached at pages 37-43 of the Audit Committee agenda.

(Donna Parham, Head of Finance – (01935) 462225)
(donna.parham@southsomerset.gov.uk)

12. Operational Risk Assessments (Agenda item 12)

The Safety Adviser referred to the request of the Audit Committee for an update on the procedure for the undertaking and recording of operational risk assessments, which were required in order to comply with health and safety legislation. He summarised the background to this matter and, in referring to his report on the agenda, confirmed that all of the 19 services had submitted copies of their operational risk assessments to him. It was noted that the documentation was in the process of being electronically recorded and stored.

The Committee concurred with the comments of the Chairman in thanking the Safety Adviser for his efforts in bringing this matter to a satisfactory conclusion. The Chairman also mentioned that, should the Safety Adviser have any problems with regard to the submission of operational risk assessments in the future, he come back to the Committee. The Safety Adviser thanked the Committee for its support in this matter.

RESOLVED: (1) that all risk assessments currently lodged with the Safety Adviser be placed on Insite (the Council's intranet);

- (2) that the Safety Adviser arrange for the assessments to be reviewed on an annual basis.

*(Tony Richbell, Safety Adviser – (01935) 462655)
(tony.richbell@southsomerset.gov.uk)*

13. Forward Plan and Programme of Meetings (Agenda item 13)

Reference was made to agenda item 13 and members considered the Forward Plan for the Audit Committee for 2007/08, which had been drawn up in consultation with the Chairman. The Committee also noted the programme of meetings for the municipal year, which had been agreed by full Council.

- RESOLVED:** (1) that the Audit Committee Forward Plan for 2007/08 as set out on pages 46 and 47 of the agenda be approved;
- (2) that the programme of meetings for 2007/08 as set out in the agenda be noted.

*(Andrew Blackburn, Committee Administrator – (01460) 260441)
(andrew.blackburn@southsomerset.gov.uk)*

14. Date of Next Meeting (Agenda item 14)

It was noted that the next meeting would be held on Thursday, 26th July 2007 at 10.00 a.m. in Committee Room 3/4, Council Offices, Brympton Way, Yeovil.

NOTED.

*(Andrew Blackburn, Committee Administrator – (01460) 260441)
(andrew.blackburn@southsomerset.gov.uk)*

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Chairman