

MEETING AC.02:0708
DATE 26.07.07

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in Committee Room 3/4, Council Offices, Brympton Way, Yeovil on **Thursday, 26th July 2007**.

(10.00 a.m. – 11.20 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

Mike Best	Tom Parsley
Tim Inglefield (until 11.10 a.m.)	Peter Roake
Ian Martin	Alan Smith (from 10.10 a.m.)
Roy Mills	

Also Present:

Paull Robathan (until 11.00 a.m.)

Officers:

Donna Parham	Head of Finance
Gary Russ	Procurement & Support Services Manager
Gerry Cox	Head of Internal Audit Partnership
Ian Baker	Group Auditor
Andrew Blackburn	Committee Administrator

15. Minutes

The minutes of the meeting held on the 28th June 2007, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman subject to the following words being added as a new paragraph after the 5th paragraph of Minute 8:-

“In response to a specific question from members who sought clarification in respect of why the fixed asset restatement account had a negative balance, the Senior Accountant explained that the balance was normally positive as increases in fixed asset values resulting from revaluations were taken to the fixed asset restatement account. As the value of the fixed assets within the balance sheet prior to the housing stock transfer in 1998/99 stood at £182m, post transfer assets to the value of £170m were deducted from this figure. However, £170m was also written out of the fixed asset restatement account as part of double entry book-keeping and this balance was £131m pre-transfer and -£38m post transfer (other accounting adjustments of £1m also occurred during 1998/99). The balance on the fixed asset restatement account would return to a positive figure when subsequent increases in asset values fully reversed the effect of this large one-off transaction.”

16. Apologies for Absence

There were no apologies for absence.

17. Declarations of Interest

There were no declarations of interest.

18. Public Question Time

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

19. Waiving of Standing Orders (Agenda item 5)

The Procurement and Support Services Manager referred to his report on the agenda, which gave a summary of exemptions that had been allowed by him from the requirement to obtain quotations under Financial Procedure Rules where orders were below £50,000. The report also referred to the need for any exemptions from Standing Orders for contracts over £50,000 to be reported and agreed by District Executive. The details of one such exemption was summarised in the agenda report.

During the ensuing discussion, it was noted that the involvement of the Procurement and Support Services Manager had decreased during the last year. A member commented that the need for controls could impede the potential of good commercial practices in that officers may not have all the appropriate skills to deal with external suppliers and contracting and that perhaps the Council's procurement professional should be used more fully. It was also mentioned that compared to the private sector, the public sector could be bureaucratic leading perhaps to higher cost and slowness in response.

The Procurement and Support Services Manager reported that the new Procurement Strategy recognised that those issues existed and sought to address them. It was noted that proposed new contract procedure rules and simplified Standing Orders should assist in this matter. The Committee noted that the new Contract Procedure Rules were due to be submitted to the Audit Committee at the September meeting and it was felt appropriate that the Procurement and Support Services Manager should raise members awareness of the Procurement Strategy and Contract Procedure Rules and how they would operate on a practical level.

- RESOLVED:** (1) that the report of the Procurement and Support Services Manager giving a summary of exemptions made from Financial Procedure Rules and Standing Orders for Contracts be noted and accepted;
- (2) that, in submitting the report on the new Contract Procedure Rules to the meeting of the Committee to be held on the 27th September 2007, the Procurement and Support Services Manager raise members awareness of the Procurement Strategy and Contract Procedure Rules and how they would operate on a practical level.

*(Gary Russ, Procurement and Support Services Manager – (01935) 462076)
gary.russ@southsomerset.gov.uk*

20. Update on Homelessness and Lufton Stores Audit Reports (Agenda Item 6)

The Head of Finance referred to the agenda report, which had been submitted on behalf of the Corporate Governance Group as requested by the Audit Committee at its last meeting on the 28th June 2007 following consideration of the annual report of the Internal Audit

Service. Concern had been expressed at that meeting that no assurance could be given by Internal Audit that internal controls were in place in respect of either the Homelessness Service or the Lufton Stores Service.

The Head of Finance informed members that the agenda report for this meeting set out the overall conclusions of Internal Audit, the main issues concerned and the actions that had been taken to date in respect of both services.

(1) Homelessness Service

In referring to the Homelessness Service, the Head of Finance, Head of Internal Audit Partnership and Group Auditor answered members' questions on the operation of various aspects of the service. The Committee noted that actions had been agreed between Internal Audit and the Head of Service and that a follow-up review by Internal Audit was being undertaken to assess and report on the effectiveness of the agreed actions.

Members asked for a further report to be submitted to the Committee after the Internal Audit follow-up review had been completed and requested that the Corporate Director for Health and Wellbeing and Head of Housing and Welfare attend the meeting when that report was discussed.

(2) Lufton Stores

Reference was then made to the Lufton Stores Service. It was noted that an action plan showing agreed actions and dates by which they should be carried out had not yet been agreed between the Head of Service and Internal Audit. The Committee asked that the Head of Finance report to the next meeting to update members on the latest position with regard to the action plan being agreed. Members also sought assurances that the Head of Service had been fully supported and the Head of Finance indicated that the Corporate Director had been supportive with regard to this matter. It was further noted that a follow-up review by Internal Audit to assess and report on the effectiveness of the agreed actions would be carried out and members asked for a further report to be submitted to the Committee in due course after the completion of the follow-up review. The Committee also asked that the Corporate Director for Environment and Acting Head of Waste, Recycling and Transport attend the meeting when that report was discussed.

It was also commented that the infrastructure and controls in respect of this service were not being put in place quickly enough, especially bearing in mind the recent establishment of the Somerset Waste Board and that the Lufton Depot was to be used to maintain waste collection vehicles for the Board.

The Committee again expressed its concern that these weaknesses had occurred. Members stressed the importance of ensuring that the actions identified were brought to a satisfactory conclusion to enable the Committee to be assured that the necessary internal controls were in place.

- RESOLVED:** (1) that the actions taken to date in respect of the Homelessness Service and Lufton Stores Service Internal Audit reports be noted;
- (2) that, in respect of the Homelessness Service, a further report be submitted to the Committee in December 2007 to update members on the outcome of the Internal Audit follow-up review and that the Corporate Director for Health and Wellbeing and Head of Housing and Welfare be requested to attend the meeting;

- (3) that, in respect of the Lufton Stores Service:-
 - (i) the Head of Finance submit a report to the next meeting of the Committee to update members on whether an action plan showing actions and the dates by which they should be carried out had been agreed between the Head of Service and Internal Audit;
 - (ii) that a further report be submitted to the Committee in December 2007 to update members on the outcome of the Internal Audit follow-up review and that the Corporate Director for Environment and Acting Head of Waste, Recycling and Transport be requested to attend the meeting.

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

21. Local Code of Corporate Governance (Agenda Item 7)

The Head of Finance referred to the agenda report, which outlined the changes to the Council’s Local Code of Corporate Governance. The Committee were asked to approve the revised code as attached to the agenda.

The Head of Finance further reported that the reference to “Policy Panel Agendas and Minutes” in the Evidence to Support Actions column under Dimension 3 – Structure and Processes of the Code (page 13 of the agenda refers) should have read “Scrutiny Committee”.

RESOLVED: that the revised Local Code of Corporate Governance as attached at pages 8-16 of the agenda be approved subject to the above amendment being taken into account.

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

22. Date of Next Meeting (Agenda item 8)

The Committee noted that there were no items due to come forward for the meeting of the Committee to be held on Thursday, 23rd August 2007. The Head of Finance suggested, however, that members should replace the formal meeting with an informal training session for members on risk management.

RESOLVED: that the formal meeting of the Committee to be held on Thursday, 23rd August 2007 at 10.00 a.m. be replaced with an informal training session for members on risk management.

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

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 Chairman