

MEETING AC.06:0708
DATE 24.01.08

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, 24th January 2008**.

(10.00 a.m. – 11.15 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

Tim Inglefield
Ian Martin
Roy Mills
Tom Parsley

John Richardson (from 10.30 a.m.)
Peter Roake
Alan Smith
Colin Winder

Also Present:

Paull Robathan

Officers:

Donna Parham
Ian Baker
Andrew Blackburn

Head of Finance
Group Auditor
Committee Administrator

Also Present:

Terry Bowditch Audit Commission

53. Minutes

The minutes of the meeting held on the 13th December 2007, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

54. Apologies for Absence

An apology for absence was received from Cllr. Mike Best.

55. Declarations of Interest

There were no declarations of interest.

56. Public Question Time

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

57. Local Code of Corporate Governance (Agenda item 5)

The Chairman welcomed Terry Bowditch, Audit Manager, from the Audit Commission who gave a presentation on the new annual Governance Statement that members would need to approve in May 2008. He indicated that the Governance Statement would replace and build upon the annual Statement of Internal Controls, which would stand the Council in good stead. He mentioned that there was a revised CIPFA/SOLACE framework, which replaced the original guidance issued in 2001 and defined proper practice for the Governance Statement and recommended that councils adopted a Local Code of Corporate Governance as the supporting framework. He referred to the framework identifying four key roles of Local Government, based on six core principles. He also referred to the definition of governance and commented that it was the key to everything the Council did. The Committee was informed of what needed to be included in the Governance Statement, which covered all significant corporate systems, processes and controls including those that gave certain assurances about aspects of the Council's work, details of which were mentioned to the Committee. Information was also given on the preparation of the Governance Statement and on the key role that the Audit Committee should play. He referred to the need for the Committee to be involved at an early stage and throughout the process. The Committee noted the elements that would make a 'good' Governance Statement, which would provide evidence of how the authority was meeting its local code and its internal controls and processes. With regard to the reporting arrangements, in addition to the publication of the full Governance statement document, a summary needed to be included in the annual Statement of Accounts. Members were handed a paper containing a briefing note on the Governance Statement for their information.

The Committee also considered the report of the Head of Finance, which introduced the revised Local Code of Corporate Governance to reflect the new framework for delivering good governance in Local Government.

In response to a question, the Head of Finance commented that the new guidance had increased the amount of evidence required and there were some improvements that she could see would be helpful in meeting that requirement, which were included in the new Local Code of Corporate Governance.

During the ensuing discussion, reference was made by a member to the introduction of Local Area Agreements, which would involve County and District Councils working together and in co-operation with many other partners and agencies in providing services for the community. It was also mentioned that in 2009 Comprehensive Area Assessments would be introduced to assess the partnerships set up by the Local Area Agreements as a whole. The Audit Manager mentioned that the new Comprehensive Area Assessment would be far more wide-ranging and focus more on the partnerships that formed the Local Area Agreement and on how the various organisations worked together. He also indicated that the length of the study was being worked on but as the new assessment regime would be a much bigger exercise it was likely that there would be an increase in Audit Commission fees of 15%, 25% or possibly 30%.

Members expressed concern that in auditing the performance of the Local Area Agreements, the performance score for the District Council may suffer if a partner organisation received a lower score. The Audit Manager commented that there would still be assessments carried out that were unique to the District Council including the Use of Resources and Direction of Travel statements.

Members also expressed concern about the potentially large increase in fees to be charged by the Audit Commission in respect of the new assessment regime. The Audit Manager mentioned that overall, over the longer term, a reduction was anticipated but in

the short term there would be an increase. He referred, however, to better performing Councils being at the better end of the range of fees.

The Head of Finance noted the request of the Committee that, bearing in mind the impact that the Comprehensive Area Assessment would have, a presentation be made at full Council to inform all members of the new arrangements.

In referring to the new annual Governance Statement, members asked that an interim report be submitted to the Committee regarding the production of the statement before submitting it for approval in May. The Head of Finance noted the request of members.

Members also indicated their approval of the revised Local Code of Corporate Governance as attached to the agenda.

- RESOLVED:** (1) that the revised Local Code of Corporate Governance as attached to the agenda be approved;
- (2) that an interim report be submitted to the Committee regarding the production of the annual Governance Statement before it was submitted for approval in May.

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

58. Financial Statements Report (Agenda Item 6)

The Head of Finance summarised the agenda report, which introduced the Audit Commission's annual Financial Statements report for 2006/07. In summary, she reported that there were no key issues arising from the audit of the Council's Statement of Accounts for the year ended 31st March 2007. In referring to the action plan, the Committee noted that of the four actions arising from the audit, two had already been completed and two would be completed as part of the Statement of Accounts this year. She also indicated that the actions would be added to the Strategic Improvement Plan for members to monitor that they had been carried out.

The Audit Manager from the Audit Commission commented that there had been some changes in the audit for 2006/07 and the Council had coped with them very well. He also commended the efforts of the Council's finance staff.

The Head of Finance and Audit Manager, in response to questions, clarified the meaning of some of the points mentioned in the Financial Statements report.

- RESOLVED:** (1) that the contents of the Audit Commission's Financial Statements report be noted;
- (2) that it be noted that the action plan had been added to the Strategic Improvement Plan.

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

59. Data Quality Report (Agenda Item 7)

The Head of Finance summarised the agenda report, which introduced the Audit Commission's Data Quality Review report for 2006/07. In summary, she reported that the

Council was performing well and had scored 3 out of 4, which was an improvement on the previous year when the score was 2 out of 4.

During the ensuing discussion, members indicated that they were aware that arrangements had already been adopted and new practices put in place in respect of recommendations in the report regarding the documentation and collection of data on the average stay in hostel accommodation and relating to private sector homes vacant for more than six months.

In response to a question regarding the recommendation that it be demonstrated that external data that was used to measure performance was appropriately checked, the Head of Finance commented that the Council now had a register of its partnerships and improved arrangements with them for the submission of data. She also mentioned that where groups received grants or partnership funding, they were required to submit returns to the Council giving appropriate information.

Members commented that where acronyms were used in the Data Quality Review report it would have been useful for there to have been a key to explain their meaning. The comments of the Committee were noted and the Audit Manager indicated that he would ensure that future reports from the Audit Commission had an explanation of any acronyms used.

The Committee noted the outcome of the data quality review and were pleased that the Council was performing well.

- RESOLVED:** (1) that the contents of the Audit Commission's Data Quality Review report be noted;
- (2) that it be noted that the action plan had been added to the Strategic Improvement Plan.

(Rina Singh, Corporate Director - Communities – (01935) 462010)
(rina.singh@southsomerset.gov.uk)

60. Use of Resources Judgement (Agenda item 8)

The Head of Finance summarised the agenda report, which outlined the Council's Use of Resources Judgement by the Audit Commission for 2006/07. It was noted that the Council had scored an overall 3 (consistently above minimal requirements – performing well). Although that was the same overall score as in 2006, there had been improvements made to strengthen the score specifically in the area of financial management and meeting new requirements that became compulsory for 2007. It was further noted that the action plan attached to the agenda reflected a changing and more difficult to achieve regime within the Use of Resources Judgement. The aim was still to achieve a stronger 3 for the next assessment and to work towards further level 4 improvements.

In response to questions, the Head of Finance and Audit Manager clarified the meaning of some of the points mentioned in the report. A number of comments were also made and matters raised included the following:-

- reference was made by the Chairman to the score in the Audit Commission report relating to financial standing, particularly that referring to the Council managing its spending within the available resources and queried why the score was only 2. The Head of Finance reported that although the conclusion was that the Council managed its resources within its budget and its financial standing was generally sound, reference had been made to the Council not yet having collected all the information in place to

meet the required level of monitoring of the effectiveness of debt recovery processes. That matter was being addressed this year and should enable the Council to move up to the next level;

- reference was also made to the Council only following up high and medium risk National Fraud Initiative (NFI) data matches and not those of low risk. The Audit Manager commented that this key line of enquiry was to be rewritten next year to assess whether the action taken was cost effective rather than whether the Council followed up high, medium or low risk matches. The Head of Finance commented that the Council had been using Department of Work and Pensions data which had been found to be effective;
- the Head of Finance explained the meaning of ethical behaviour and confirmed that ethics training was being provided for officers;
- the Chairman highlighted the role of the Audit Committee to provide independent assurance that the Council had arrangements in place to maintain a sound system of internal controls;
- in response to a general question about the need for the Committee to consider all Audit Commission reports, the Head of Finance clarified that it was part of the Audit Committee's terms of reference to consider the reports of external audit and inspection agencies.

- RESOLVED:** (1) that the Audit Commission's Use of Resources Judgement be noted;
- (2) that the updated Use of Resources action plan as attached to the agenda be approved.

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

61. Date of Next Meeting (Agenda item 9)

Members noted that the next meeting would be held on Thursday, 28th February 2008 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

NOTED.

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

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 Chairman