

MEETING AC.08:0708  
DATE 24.04.08

## 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 April 2008**.

(10.00 a.m. – 11.05 a.m.)

### **Present:**

**Members:** Derek Yeomans (in the Chair)

Tom Parsley	Alan Smith
John Richardson	Colin Winder
Peter Roake	

### **Officers:**

Donna Parham	Head of Finance
Andrew Ellins	Principal Auditor – South West Audit Partnership
Andrew Blackburn	Committee Administrator

### **Also Present:**

Terry Bowditch	Audit Commission
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## **71. Minutes**

The minutes of the meeting held on the 27th March 2008, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

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## **72. Apologies for Absence**

Apologies for absence were received from Cllrs. Mike Best, Tim Inglefield, Ian Martin and Roy Mills.

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## **73. Declarations of Interest**

There were no declarations of interest.

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## **74. Public Question Time**

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

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## **75. Internal Audit Plan 2008/9 (Agenda item 5)**

The Head of Finance summarised the report on the agenda, which informed members of the details of the Internal Audit Plan for 2008/09. She further reported that the plan was drawn up using a risk based approach and a number of operational areas had been added

(as listed in the agenda), which would be subject to an annual review including those where cash transactions took place, e.g. Goldenstones and Octagon Theatre.

The Head of Finance also reported that an operational audit had been included in respect of Section 106 planning obligations and commuted sums. Members noted that a scoping exercise was to be undertaken to assess how the audit would be carried out. Once the audit had been completed a report would be made to the Audit Committee to enable members to indicate whether it should be undertaken thereafter on an annual basis or whether a longer time period between audits would be satisfactory. The Committee supported the comments of the Chairman who asked that a report be submitted to the Committee informing members of the outcome of the scoping exercise.

A member expressed his view that there should be a general overview and more regular reviews of the Sports, Arts and Leisure services operated by the Council, especially bearing in mind the spend on some of those services. The Head of Finance informed the Committee that it was not a function of audit to look at the amount of expenditure or value for money of a service, which was for members to decide, but rather to look at risks, procedures and the control environment. She further mentioned that operational audits would be carried out covering Goldenstones, Octagon Theatre, Leisure and Arts Services and the Community Resource Centre in 2008/09. She also reported that an audit of Wincanton Sports Centre had just been completed and Yeovil Recreation Centre had been done last year.

In response to a question, the Head of Finance reported that audits were normally carried out every three to five years as a maximum with the exception of those already mentioned that would take place annually.

- RESOLVED:** (1) that the Internal Audit Plan for 2008/09 be approved;
- (2) that a report on the scoping exercise in respect of the operational audit review of Section 106 planning obligations and commuted sums be submitted to the June 2008 meeting of the Audit Committee and that once the actual audit has been carried out a further report be made to enable members to give a steer on whether the audit should be undertaken on an annual basis or whether a longer time period between audits would be satisfactory.

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

## **76. Annual Audit and Inspection Letter 2007/08 (Agenda Item 6)**

Reference was made to the agenda report, which introduced the Annual Audit and Inspection Letter 2007/08. The Audit Committee was asked to note its contents and consider the District Executive's response to the areas for improvement, which were set out in the letter.

The Chairman welcomed Terry Bowditch, Audit Manager from the Audit Commission, who summarised the content of the Annual Audit and Inspection Letter for 2007/08, copies of which were attached to the agenda. He indicated that as the Council was undergoing a review of the Corporate Performance Assessment, a Direction of Travel Statement had not been included in this year's Annual Audit and Inspection Letter. He made particular reference to the key messages, which were set out in the letter, during which he referred to the Council having made clear progress in delivering its corporate aims and overcoming a number of challenges. Important results for citizens in areas such as environmental quality had been delivered and significant improvements made in respect of national performance

indicators. Reference was made to working more closely with other councils being a clear opportunity but also a significant challenge. He further mentioned that an unqualified opinion had been given on the Council's accounts which were trouble free and in referring to the Use of Resources Judgement he indicated that, although the overall assessment remained at 3 out of 4, there were underlying improvements and the challenges that had to be met got harder each year. The triennial review of Internal Audit provided by the South West Audit Partnership had confirmed that it met all the key requirements of the code of practice. The Council's data quality was improving and achieved a level 3. Reference was then made to the actions needed by the Council, which he commented comprised a short list as set out on page 9 of the agenda. In summary, he indicated that overall the annual letter was very positive. He also mentioned that the review of the Corporate Performance Assessment, the outcome of which was awaited, would also contain an action plan.

The Committee was further informed that 2007/08 would be the last year for the Comprehensive Performance Assessment methodology. The Committee noted that it was to be replaced by the Comprehensive Area Assessment regime, which would assess the partnerships set up by the new Local Area Agreements as a whole, which would involve County and District Councils working together in co-operation with other partners and agencies in providing services for the community.

During the ensuing discussion, a number of comments were made by members including the following:-

- the Chairman referred to the recommendations that had arisen from the inspection of environmental services, particularly that referring to the Council reviewing the way that it dealt with waste at recycling sites and was of the view that that aspect was not necessarily within the Council's direct control. The Audit Manager acknowledged the comment made but mentioned that the Somerset Waste Board worked to the constituent councils' requirements;
- further reference was made by a member to the cross-cutting inspection of a range of environmental services, in particular to the recommendation that the Council should review the way that it measures the effectiveness of initiatives with particular focus on outcomes. The Head of Finance commented that although there was some good practice in the organisation there was a tendency in some areas to measure outputs rather than outcomes. She indicated that any weaknesses that had been identified would be included in the revision to the Council's Corporate Improvement and Development Plan to ensure that improvements were planned for, resourced and achieved;
- members commented on the new Comprehensive Area Assessment regime and concerns were expressed that the performance score for the Council may suffer if a partner organisation performed poorly, given that the Council would be conjoined with the assessment of other organisations. Comment was also expressed that the ethos of striving for excellence may suffer if it were perceived that a median level in conjunction with partners was all that needed to be achieved. It was further commented that it could be difficult to work with partners that may have different plans or objectives. In referring to cost effectiveness, a member, although acknowledging the increase in economies of scale, felt that there was a danger of a centralised "one fits all" environment, which may dictate what happens in rural areas. The view was also expressed by a member that there may be some benefits to the Comprehensive Area Assessment and commented that peer pressure may help partners to perform;
- In response to some of the comments made with regard to the Comprehensive Area Assessment, the Audit Manager reported that although there would be an overall judgement for the County, there would still be assessments carried out that would be unique to the District Council including the Use of Resources score, which would be an

even more robust process, and Direction of Travel Statement, which would show how strongly an authority was performing. He also felt that the outcome of the Comprehensive Area Assessment would point to individual councils in some respect, although how the assessment report was to be presented was still to be decided. He also believed that the public would be more interested in the quality of service that they would be receiving rather than the performance of an individual authority. He further referred to the Audit Commission indicating that local authorities were not able to work on their own any more but needed effective partnership working to provide services. He commented that the Comprehensive Area Assessment would assess the performance and effectiveness of the partnerships. He also mentioned that the drive was to closer partnership working, which was hoped would be more effective in providing services. With regard to peer pressure to perform, he was of the view that it existed now and that there was an expectation that authorities would reach a certain level. In referring to the point made about the centralisation of services he commented that some services did not need to have local political control, for example housing benefits;

- in response to a comment regarding the Bentley Jennison review, the Head of Finance mentioned that Bentley Jennison had taken a snapshot view of how an outside organisation saw the Council and where possible savings could be made. The outcome of their review had identified some ideas for the Council to consider but they did not take into account the political view and it was for members to decide on any reductions to area working. She also mentioned that the report was not the only piece of work that was being carried out and reported that the consultants would be carrying out specific reviews for Housing, Revenues and Benefits and ICT services.

Having considered the Audit Inspection Letter, the Chairman thanked the Audit Manager for attending the meeting to present his report.

- RESOLVED:** (1) that the contents of the Annual Audit and Inspection Letter for 2007/08 be noted;
- (2) that the District Executive's response in accepting the Audit Commission's recommendation that the areas for improvement identified in the Audit and Inspection Letter be set out in the revision to the Council's Corporate Improvement and Development Plan, be noted and acknowledged.

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

## 77. Update on Annual Governance Statement (Agenda Item 7)

The Head of Finance updated members on the new Annual Governance Statement that the Committee would need to approve at its meeting in May 2008 in accordance with the revised CIPFA/SOLACE framework, which replaced original guidance issued in 2001 and defined proper practice for the Governance Statement.

The Head of Finance handed to members present at the meeting a diagram showing the key elements that would feed into the Annual Governance Statement together with how they interacted with each other. (The diagram is attached to these minutes for members' information). She indicated that the Annual Governance Statement would be drafted by the Corporate Governance Group and then submitted to Audit Committee for approval. She further reported that part of the statement would include how the various elements were delivered and where there were any weaknesses, they would form part of an action plan, including any recommendations from Internal Audit.

In response to a question, the Head of Finance confirmed that the Leader of Council would have an input into the statement.

The Audit Manager from the Audit Commission commented that they would be reviewing the Annual Governance Statement to see if it picked up any weaknesses that they may have identified through the Use of Resources Statement.

Arising from consideration of this item, reference was made by a member to the new revised Contract Procedure Rules, which were to be submitted to the Audit Committee and then full Council for approval. It was noted that he hoped that they would be submitted to the Committee soon.

**RESOLVED:** that the interim report of the Head of Finance regarding the production of the Annual Governance Statement be noted.

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

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## **78. Date of Next Meeting (Agenda item 8)**

Members noted that the next meeting would be held on Thursday, 22nd May 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