

MEETING AC.01:0809  
DATE 22.05.08

## 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, 22nd May 2008**.

(10.00 a.m. – 11.45 a.m.)

### **Present:**

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

Tom Parsley	John Richardson
Ian Martin	Peter Roake
Roy Mills	Colin Winder

### **Officers:**

Donna Parham	Head of Finance
Ian Baker	Group Auditor
Gary Russ	Head of ICT and Procurement
Emily McGuinness	Scrutiny Manager and Acting Democratic Services Manager

### **Also Present:**

Terry Bowditch Audit Manager, Audit Commission

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## **1. Minutes**

The minutes of the meeting held on the 24th April 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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## **2. Apologies for Absence**

Apologies for absence were received from Cllrs. Mike Best and Tim Inglefield.

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## **3. Declarations of Interest**

There were no declarations of interest.

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## **4. Public Question Time**

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

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

The Head of Finance introduced the report on the agenda, which informed members of the details of the Annual Audit and Inspection Plan for 2008/09. Terry Bowditch, Audit Manager from the Audit Commission then went through the report in more detail. Particular reference was made to the fee structure. Mr Bowditch explained the fees were split into two elements and the fees for the inspection element covered two expensive pieces of work, those being the Comprehensive Performance Assessment and the Housing Inspection. The fees quoted in the report were net of the DCLG grant, which funds 80% of inspection costs meaning that SSDC pays the remaining 20%. Mr Bowditch also explained that the fee paid by SSDC is the minimum fee chargeable to a District authority and that all fees are set by the Audit Commission.

In response to a question asked by a member, Mr Bowditch confirmed that the Audit Commission is under the same pressures as local authorities to deliver more for less and that a planned increase in audit activity should not necessarily mean an increase in inspection fees as the Audit Commission seeks to work more efficiently.

Answering a question from a member of the Committee, Mr Bowditch stated that at this stage it was too early to have provided a risk assessment of the financial statements and that a separate opinion plan for the audit of the financial statements will be issued later in the year.

Mr Bowditch drew members' attention to the proposed fees for the Use of Resources assessment. There had been concerns raised by local authorities during the consultation process and the proposed fee increases of 20% had been scaled down. Due to the recent CPA inspection of SSDC, there would be a scaled down Use of Resources Assessment in 2008/9. In effect the Commission is one year behind in charging for use of resources assessments and the proposed £12k charge to all authorities had been wiped out. The Commission is confident that they can deliver the new assessment methodology for the cost of the old methodology.

In response to a question by a member, the Head of Finance stated that she was able to work with Terry Bowditch to ensure there was adequate provision in the budget to meet Audit Commission fees. There is some capacity for the council to negotiate for additional work to be carried out by the Audit Commission.

Answering a question put by the Chairman relating to the auditing of grants received by the council, Mr Bowditch stated that the Department responsible for giving the grants sets the rules for auditing their use, the Audit Commission then carry out this work on the behalf of the individual departments. The Audit Commission are not able to audit grants of below £100k.

A member asked about the definition of 'advice and assistance' and it was explained that if requested by an authority, the Audit Commission could provide additional advice and assistance in areas identified by the authority, this is not part of the core audit work and is therefore not included in the fee structure. In response to a further question, Mr Bowditch confirmed that if, whilst undertaking core audit work, they felt it appropriate to pass on some best practice guidance, they would of course do so.

After considering the report, the Chairman thanked Mr Bowditch for attending.

**RESOLVED:** that the Annual Audit and Inspection plan be noted.

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

## 6. South West Audit Partnership – Annual report 2007/2008 (Agenda Item 6)

Ian Baker – Group Auditor from South West Audit Partnership introduced this report. In doing so he stated that he was pleased to see a significant level of improvement in some areas and the fact that he was confident to give a reasonable assurance that things were definitely moving in the right direction. Members were informed of the role of the Corporate Governance Group which regularly reviewed progress being made against Audit Action Plans and could therefore identify any potential problems at a very early stage.

In response to a question from a member, Ian Baker confirmed that Ian Potter was now in position as Acting Head of Housing and Revenues and Benefits because it was recognised that the actions he had taken to address performance in the Revenues and Benefits Team would be beneficial in addressing the issues relating to homelessness. It was noted that Ian Potter was due to attend the next meeting of the Audit Committee and members agreed that they would use this opportunity to ensure that there was sufficient capacity to keep both services performing well. The Head of Finance assured members that the Corporate Governance Group was confident that there had been no reduction in benefits performance from Ian Potter taking on the dual role.

Members raised concerns over the continuing issues relating to operations at Goldenstones and Wincanton Sports Centre. The Head of Finance informed members that the Corporate Governance group had agreed to conduct annual reviews of processes at Goldenstones to ensure that the momentum for good internal control practices was maintained. Members of the Committee agreed that it was important for the Audit Committee to be assured of the improvements and agreed that the Head of Service for Sport, Arts and Leisure should bring a detailed report to the committee in 6 months time addressing their concerns.

In response to a question from a member, Ian Baker emphasised the independence of the South West Audit Partnership. He stated that internal audit must be independent to be truly effective and that the South West Audit Partnership arrangements enhanced this independence.

Ian Baker clarified that the extracts included in his report were the Auditors' opinion and had been taken from much larger documents which provided more detailed contextual information.

Members felt that waiting a year for services with partial or no assurance to be reported on again was too long and agreed that the Audit Committee would look at all plans with partial or no assurance on a three monthly basis.

The Chairman thanked Ian Baker for attending and presenting his report.

- RESOLVED:**
- (1) that the South West Audit Partnership Annual report for 2007/2008 be noted;
  - (2) that the Head of Sport, Arts and Leisure be requested to submit a detailed report addressing how he plans to address issues of Internal control at Goldenstones to the November meeting of the Audit Committee;
  - (3) that all services identified as receiving no or partial assurance from the South West Audit Partnership are reported to the Audit Committee on a three monthly basis with the first reports to be submitted to the August meeting.

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## 7. Review of Internal Audit (Agenda Item 7)

The Head of Finance introduced this report, stating that its purpose was to inform committee members of the recent review of the effectiveness of the delivery of Internal Audit through the South West Audit Partnership.

Members were informed that the Head of Finance as s151 officer had undertaken the review and that the findings had been reported to the Corporate Governance Group. It was found that overall the team performed well and that this view was supported by the external auditors. In conclusion, the Head of Finance stated that in her opinion and that of the Corporate Governance Group, the system of internal audit was effective.

It was noted that a satisfaction rate of 80% from audited services was very satisfactory.

**RESOLVED:** that the Review of Internal Audit be noted.

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

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## 8. 2007/08 Annual Governance Statement (Agenda item 8)

The Head of Finance introduced this report and in doing so provided a slightly amended statement reflecting comments received from Terry Bowditch – Audit Manager and Councillor Tim Carroll, Leader of the Council.

Members agreed that point 5 of the Action Plan for 2008/09 should be amended to state ***that the Audit Committee will consider all Internal Audit reports receiving no or partial assurance on a three monthly basis.***

A copy of the Annual Governance Statement reflecting all amendments is attached to these minutes.

**RESOLVED:** that the 2007/08 Annual Governance Statement and Action Plan, subject to the amendments outlined above, be approved.

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## 9. Risk Management Update and Embedding Risk Management at the Council (Agenda item 9)

Gary Russ, Head of ICT and Procurement, introduced his report, stating that its purpose was to update members of the Audit Committee on the progress the Council is making in relation to risk management as an underlying process. The report also addressed the specific concerns raised in the last update to members in October 2007.

Gary Russ reminded members of the Audit Committee that they had a duty to ensure that a robust risk management process was not only adopted but that members took an active role in understanding their collective responsibilities with regard to risk management. In support of this, members of the Audit Committee endorsed the request of the Head of Service that any training offered or advice needed was sought and acted upon.

In response to questions from members, Gary Russ said that Risk Management was now integrated as part of the day job for many members and officers and the authority

was progressing well in terms of grasping such a complex concept. He then went on to explain how the HEAT maps worked, using different colours to visually represent impact and likelihood of risks.

Members were then informed that all reports to District Executive now contained a risk matrix incorporating the principles of the HEAT Map – this ensures that Executive Members could effectively consider risks when taking decisions. Members were told that one element still missing from this process was the inclusion of the risks associated with the ‘do nothing option’ but that as with many things, introducing an effective process was an evolving process and this would be introduced in the future. It was agreed that Gary would recirculate the guidance relating to the Risk Matrix and moderation.

It was reported that the Head of Procurement and ICT updated Management Board every 4 weeks on risk management issues. Directors provided a narrative outlining what they were doing to manage those risks identified as ‘catastrophic’. This approach helped promote corporate ownership of the most potentially serious risks. Members of the Audit Committee agreed that this arrangement should continue but that if any problems were identified at an early stage by Management Board, they were reported to the Audit Committee.

Members of the committee agreed that six monthly reports were sufficient. Members of the Committee passed on their congratulations to Gary for successfully implementing the risk management process and practices.

- RESOLVED:**
- (1) that members of the Audit Committee note the continued improvement in the Council's risk position as evidenced in the report;
  - (2) that the Audit Committee supports the request that any relevant training and advice is sought and acted upon;
  - (3) that any potential issues relating to those risks identified as catastrophic are reported to the Audit Committee;
  - (4) that the possibility of providing colour copies of agendas containing the risk matrix to all members, not only committee members, be explored.

**NOTED.**

## 10. Forward Plan and Programme of Meetings (Agenda item 10)

Reference was made to agenda item 10 and members considered the Forward Plan for the Audit Committee for 2008/09 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 2008/09 as set out on pages 47 and 48 of the agenda be approved;
  - (2) that the programme of meetings for 2008/09 as set out in the agenda be noted.

## 11. Date of Next Meeting (Agenda item 11)

Members noted that the next meeting would be held on Thursday, 26<sup>th</sup> June at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil

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

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Chairman