

MEETING AC.06:0809
DATE 27.11.08

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, 27th November 2008**.

(10.00 a.m. – 11.55 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

John Calvert	Peter Roake
Ian Martin (until 11.30 a.m.)	Alan Smith
Tom Parsley	Colin Winder

Also Present:

Robin Munday

Officers:

Donna Parham	Head of Finance
Steve Joel	Head of Sport, Arts & Leisure
Cameron Bate	Goldenstones Manager
Gerry Cox	Head of Internal Audit Partnership
Andrew Ellins	Principal Auditor
Nigel Collins	Transport Strategy Officer
Gary Russ	Head of ICT and Procurement
Andrew Blackburn	Committee Administrator

Also Present:

Mark Pedlar Group Manager - Transporting Somerset

43. Minutes (Agenda item 1)

The minutes of the meeting held on the 25th September 2008, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

44. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs. Mike Best, Roy Mills, and John Richardson.

45. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

46. Public Question Time (Agenda item 4)

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

47. Update on Goldenstones Pools and Leisure Centre Audit Action Plan (Agenda item 5)

The Head of Sport, Arts and Leisure summarised the agenda report, which had been requested by the Audit Committee and updated members on the action taken to improve processes and internal controls at Goldenstones Pools and Leisure Centre following the internal audit on this service whose findings were reported in 2007.

The Committee went through the updated audit report action plan attached to the agenda, which indicated the actions that had been taken and the current status, during which the officers responded to members' questions and comments. Points raised included the following:-

- reference was made to the meaning of the comment in point 3.4a and the Head of Sport, Arts and Leisure clarified that where organisations hired facilities at Goldenstones, the Council's policy was to check that the organisation had appropriate policies and procedures in place for making appropriate CRB checks with regard to members of their organisation. It was not the policy of the Council to make CRB checks on individual persons in those circumstances;
- in response to a question regarding point 6.1a, the Head of Sport, Arts and Leisure reported that the budget levels for Goldenstones and their correlation with levels of income and expenditure within the Council's QSP finance system had been reviewed. He indicated that he was confident that the revisions would be uploaded to the QSP system at the beginning of the new year;
- the Head of Finance informed members of the parameters in respect of the verification of balances where cash floats were held. The Head of Sport, Arts and Leisure mentioned that the cashiers at Goldenstones were each responsible for their shift and for verifying balances, which were checked each day;
- the Head of Sport, Arts & Leisure clarified that point 7.1a related to the accuracy in the way specific staff costs were accounted for especially with regard to the apportionment between permanent and casual employees. He also indicated that over recent years there had been a change with regard to the staffing structure to more permanent employees rather than casual.

The Committee congratulated the Head of Sport, Arts & Leisure and Goldenstones Manager for a good report. It was asked that a further update report be submitted in six months' time.

- RESOLVED:** (1) that the actions and progress made to improve processes and internal controls at Goldenstones Pools and Leisure Centre be noted and accepted;
- (2) that the Head of Sport, Arts and Leisure submit a further update in six months' time.

(Steve Joel, Head of Sport, Arts & Leisure – (01935) 462278)
(steve.joel@southsomerset.gov.uk)

48. South West Audit Partnership – Quarter 2 Report 2008/2009 (Agenda Item 6)

The Head of Internal Audit Partnership summarised the agenda report, which provided members with a summary of internal audit activity for the period 1st July to 30th September 2008.

In referring to the audits at final report stage, the Head of Internal Audit Partnership commented that overall internal audit were able to offer a reasonable level of assurance regarding the adequacy of internal controls and the management of risk. In referring to the audits listed in the agenda as being at draft report stage, he mentioned that more detail would be given in the next quarterly report.

In response to a question from a member about IS Social Networking, which was one of the audits at draft report stage, he explained what this term covered. He mentioned that social networking involved the use of the Internet for socialising and that it was being used increasingly by businesses and local authorities to communicate with citizens. The use of IS Social Networking was being audited because of the potentially high risk area for the Council in respect of abuse of the system as well as the possibility of it attracting malware. The Head of ICT and Procurement referred to social networking having the potential to be used as a forum for communities to raise issues and although it could be useful there was also a need to be cautious and to consider protection.

The Head of Finance, in response to a question, informed members of the progress with the audit to assess the effectiveness and controls in place in respect of Section 106 Planning Obligations. She mentioned that when the report was submitted to the Committee, the separate report from the Head of Development and Building Control regarding the method of presenting information to ward members on Section 106 Planning Obligations would also be presented at the same time. It was now anticipated that the report would be submitted to the January meeting of the Committee.

In response to the comment of a member, who questioned whether the concluding assessments of an audit review were exacting enough, the Head of Internal Audit Partnership explained the basis for the assessment ratings. He mentioned that the audit review looked at risks associated with the control environment of a service and assessed whether the risks were managed and whether adequate means of control were in place.

RESOLVED: that the Quarter 2 report 2008/09 of the South West Audit Partnership be noted and accepted.

(Gerry Cox, Head of Internal Audit Partnership – (01458) 257410)

(gerry.cox@southwestaudit.gov.uk)

49. Concessionary Fares (Agenda item 7)

Reference was made to the agenda report, which referred to the Audit Committee, in reviewing risks in October 2007, having voiced concerns at the increasing costs of the Concessionary Fares Scheme and requested assurance that controls were in place to manage the scheme effectively. The Committee noted that subsequently the South West Audit Partnership had reviewed the scheme and a copy of their report was attached to the agenda.

The Committee noted that Somerset County Council administered the Concessionary Fares Scheme on behalf of the Somerset District Councils and the Transport Strategy Officer introduced Mark Pedlar, Group Manager - Transporting Somerset, who attended the meeting to update members and answer any questions.

During the ensuing discussion, the officers responded to members' questions and comments. Points raised included the following:-

- reference was made to there being a lack of understanding about the way the average fare, which was used as a basis for the reimbursement of bus operators for concessionary fares, was calculated. The Group Manager – Transporting Somerset, with the aid of a PowerPoint presentation, explained fully the formula on which the average fare was calculated. He also mentioned that the District Councils only paid 70% of what the operators would otherwise take.
- the Group Manager – Transporting Somerset referred to the big growth in concessionary travel being from within the County itself with residents travelling to destinations within Somerset rather than travelling large distances across the country. People were, however, coming into the County from other areas, e.g. on holiday. He indicated that the District Councils picked up the bill for all journeys started in Somerset whilst it used to be for all services that started and finished in Somerset. There was a benefit from not having a large population but there was a disadvantage because of Yeovil being close to the county boundary with Dorset;
- reference was made to whether there was any potential for fraud at an individual driver level and the Group Manager - Transporting Somerset, informed the Committee of ways in which this might be achieved but assured members that fraud by drivers would be difficult. He also informed members that First Group had internal controls in place to prevent any potential for fraud or loss to both the Councils and themselves. Reference was made by a member to the possibility of using smart card readers on buses and whether they would perhaps provide a better audit trail;
- a member commented that according to the outcome of the audit of bus trips, which tested whether passes were being used in accordance with their terms and conditions, there was an error rate of under 1%. Given that outcome he wondered whether there was an issue that needed to be addressed. The view was also expressed that the amount of the funding gap for the Concessionary Fares Scheme showed that it was actually successful and was working well even though there was a drain on the Council's resources due to central Government underfunding;
- reference was made to the recommendation in the internal audit report that arrangements be made for the reintroduction of regular random checking of bus routes to ensure that the figures being supplied by First Bus were accurate. Members discussed whether such checking was effective and worthwhile in cost/benefit terms. It was noted that the County Council and all five District Councils would contribute to a team to carry out random checking and the Committee agreed that on balance such checks should be carried out but that the matter should be kept under review;
- members agreed with the suggestion of the Group Manager - Transporting Somerset, that it would be useful for them to be sent a copy of the slides used in his presentation for information.

RESOLVED: that the progress achieved against the Internal Audit report recommendations and the current position on the concessionary fares scheme be noted.

*(Nigel Collins, Transport Strategy Officer – (01935) 462591)
(nigel.collins@southsomerset.gov.uk)*

50. Risk Management (Agenda item 8)

The Head of ICT and Procurement made a short presentation for members' information regarding the risk register and in particular referred to the logging of partnership risks and to risk management in relation to the Council's critical commercial suppliers.

A general discussion ensued when reference was made to the partnership risk log and members noted that although certain risks had been identified, no controls, mitigation measures or scoring had yet been completed. The importance of those issues being completed was highlighted.

Reference was also made to the extent to which members should be involved with the risk management process and to there being a role for the Committee to ensure that risks had been considered when projects were discussed. Particular reference was made to the risk grids that were included on reports submitted to District Executive. The Committee expressed its view that it was essential that the risk grid continued to be included on reports submitted to the Executive. The Head of Finance indicated that the risk grid would remain and that additional training for members was to be arranged.

In response to a question, the Head of ICT and Procurement commented that the risk register was currently contained on an internal database. Members felt that it would be useful for them to be able to access the information and the Head of ICT and Procurement agreed to check whether it was possible to make it available to members.

The Committee thanked the Head of ICT and Procurement for his presentation, which was noted by members.

*(Gary Russ, Head of ICT and Procurement – (01935) 462557)
(gary.russ@southsomerset.gov.uk)*

51. Date of Next Meeting (Agenda item 9)

Members were informed that the reports programmed for the December meeting were not yet ready for submission to the Committee and were asked to consider the cancellation of the meeting.

It was noted that the subsequent meeting would be held on Thursday, 22nd January 2009 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

RESOLVED: that the meeting of the Committee scheduled to take place on the 11th December 2008 be cancelled.

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

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Chairman