

MEETING AC.02:0910
DATE 25.06.09

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, 25th June 2009**.

(10.00 a.m. – 11.35 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

Ian Martin
Roy Mills
Peter Roake

Also Present:

Tim Carroll
Robin Munday

Officers:

Donna Parham	Head of Finance
Amanda Card	Principal Accountant
David Stapleton	Corporate Director - Health & Wellbeing
Steve Joel	Head of Sport, Arts and Leisure
Cameron Bate	Goldenstones Manager
Gary Russ	Head of Procurement and Support Services
Andrew Blackburn	Committee Administrator

11. Minutes (Agenda item 1)

The minutes of the meeting held on the 28th May 2009, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

12. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs. Mike Best, John Calvert, John Hann, Alan Smith and Colin Winder.

13. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

14. Public Question Time (Agenda item 4)

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

15. 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 updated members on the latest position on the action taken to improve processes and internal controls at Goldenstones Pools and Leisure Centre following the internal audit of this service, whose findings were reported in 2007, but particularly since the last report was made to the Audit Committee on 27th November 2008.

The Committee noted the comments of the Head of Sport, Arts and Leisure who indicated that all of the actions recommended within the agreed Audit Action Plan had now been completed. He also indicated that a recent shorter internal audit on financial controls at Goldenstones had retested 28 of the areas in the Action Plan and had resulted in a reasonable assurance having been given, which he felt confirmed that the actions arising from the earlier audit had been addressed and embedded across all aspects of the operation of Goldenstones. He was further of the view that Goldenstones was now in its strongest position for some time. Reference was also made to Goldenstones having achieved the independent industry leisure facility management quality accreditation (Quest) for the second time being highly commended with a 75% score.

In response to questions from members, the officers indicated that sales income at Goldenstones was higher than last year and that the Centre was in a good position. The Head of Sport, Arts and Leisure also indicated, in response to a question, that he oversaw the strategic direction of the Centre. He further mentioned that, in conjunction with Property Services, works that were critical to facilities at Goldenstones over the next few years were being identified and it was anticipated that a report would come forward as part of the Capital Scheme process later in the year.

The Committee was pleased with the good progress made and that the recommended actions within the Audit Action Plan had been addressed. The Committee congratulated the Head of Sport, Arts and Leisure and Goldenstones Manager for the good progress that had been made.

RESOLVED: that the report on the actions taken to improve processes and internal controls at Goldenstones Pools and Leisure Centre be noted and accepted.

*(Steve Joel, Head of Sport, Arts and Leisure - (01935) 462278)
(steve.joel@southsomerset.gov.uk)*

16. Procurement Procedure Rules (Agenda Item 6)

The Head of Procurement and Support Services referred to the agenda report, which updated members with regard to the proposed amendments to the Council's Procurement Procedure Rules. The document had been considered in detail at the Committee's previous meeting on the 28th May 2009 when members were asked to comment upon proposed amendments/additions to the rules and recommend to Council that the revised rules be approved.

During discussion at that meeting further amendments were suggested by members, some of which were spelling/typographical errors, that they considered should be made to the Procurement Procedure Rules before being submitted to full Council for approval. The Committee noted that the changes requested by the Committee had been incorporated within the document attached to the agenda for this meeting with the exception of that relating to paragraph 10.7(a) relating to purchase orders where members had felt that the

use of purchase orders should be mandatory. The Committee noted that the Head of Finance, although supportive of making the use of purchase orders mandatory, but with certain exceptions, e.g. payment of quarterly energy costs, payment of grants etc., was of the opinion that making their use mandatory at this stage would cause unnecessary additional work for officers. She indicated, however, that if purchase orders were not being used there should be a good reason but she asked that they be not made mandatory for the time being. She further explained that the finance system was being appraised with a view to making improvements so that the system could be used more efficiently. A pilot was being undertaken at Lufton and the streamlining of the system would follow to make the use of purchase orders a more efficient and effective process. It was anticipated that this work would be completed during the autumn.

The Committee accepted the reasons for not making the use of purchase orders mandatory for the time being and agreed the wording as set out in the Procurement Procedure Rules attached to the agenda, which indicated that purchase orders should be used as this was best practice. The Committee asked, however, that the Head of Finance report back to the Committee in December 2009 with regard to progress on the implementation of the improvements to the finance system.

Reference was then made to the issue regarding the Procurement Procedure Rules requiring that tenders must remain open for a period of 90 days and to the Committee's view expressed at the previous meeting that this may be unrealistic in the current economic climate and may deter suppliers from submitting bids. The Committee was, at that time, of the view that the word "preferred" should be used as some firms may be more willing to accept a shorter period of say 60 days. This issue was discussed further by the Committee during which it was noted that for contracts up to £50,000 there was a simpler system involving the submission of quotations where the Council was able to accept or stipulate time limits that reflected best commercial practice at that time. Given that information, the Committee agreed that all major tenders must remain open for a period of 90 days.

RESOLVED: (1) that Council be recommended:-

- (i) to approve the revised Procurement Procedure Rules as set out on pages 21-55 of the agenda subject to the words "it is preferred" being deleted from the first sentence of paragraph 9.5(b)(ii) and replaced with "That tenders must remain open for a period of 90 days";
 - (ii) to approve the delegation of any future updating of the Procurement Procedure Rules in respect of service teams and job titles to the Head of Procurement and Support Services as changes occur;
- (2) that the Head of Finance submit a report to the Audit Committee in December to update members on the progress with the implementation of the improvements to the finance system, particularly with regard to purchase orders.

Gary Russ, Head of Procurement and Support Services - (01935) 462076
(gary.russ@southwestaudit.gov.uk)

17. Financial Procedure Rules (Agenda Item 7)

Reference was made to the agenda report and the Head of Finance explained the reasons for each of the proposed changes to the current Financial Procedure Rules, which were highlighted in yellow in the document attached to the agenda. The Committee was asked to recommend to Council that the revised rules be approved.

In response to a question, the Head of Finance explained the reasons for the assessment of the adequacy of balances being based on risk assessed minimum requirements. She indicated that this method was preferable because it moved with the financial environment and took into account internal and external risks. A review took place every three months as recommended by the Audit Commission.

A member referred to section 15.4b (Grants to Outside Bodies) and queried the wording of this paragraph as it was considered that it was only meant to apply to grants within the Corporate Grants Committee's domain and not those administered by the Joint Area Committees. To clarify this paragraph, the Head of Finance suggested that the words "under that Committee's control" be added.

RESOLVED: that Council be recommended:-

- (1) to approve the revised Financial Procedure Rules as attached at pages 57-82 of the agenda subject to section 15.4b being amended to read as follows (the words underlined having been added):-

"The District Executive Grants Committee may approve a framework for the administration of any specified class of grant and assistance under that Committee's control over the value of £1,000 by a relevant Corporate Director for the efficient conduct of business, subject to the agreed framework and meeting the other requirements of these Financial Procedure Rules.";

- (2) to approve the delegation of future updating of service teams and job titles to the Head of Finance as changes occur.

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

18. 2008/09 Annual Statement of Accounts (Agenda Item 8)

Reference was made to the agenda report and the Committee considered the approval of the 2008/09 Annual Statement of Accounts. The agenda report outlined the key features of the 2008/09 revenue outturn position, summarised the 2008/09 capital outturn position and presented the 2008/09 Statement of Accounts together with an explanation of the key features and reasons for variations within those accounts.

The Principal Accountant handed to members present at the meeting amended pages 22, 46 and 58 of the Statement of Accounts and explained that an error had occurred because of an unusual one-off transaction involving a discount received for the early repayment of a Public Works Loan Board loan. It was noted that the transaction had been accounted for correctly on the accountancy system but had been shown incorrectly within the printed draft Statement of Accounts. A copy of the amended pages is attached to these minutes.

The Committee scrutinised the draft Statement of Accounts during which the officers responded to members' questions in order to clarify points of detail and the basis for some of the entries.

Members also commented on the way some of the information was presented and asked that, where salient total figures at the end of tables fed through to tables in later pages of the Statement of Accounts document, some form of cross-referencing be included to enable easier correlation.

Having examined the document and commented on the information presented, the 2008/09 Annual Statement of Accounts was approved by the Committee by the Chairman signing and dating the balance sheet. The Committee thanked the Head of Finance and the Accountancy team for their work in preparing the document.

- RESOLVED:** (1) that the 2008/09 Statement of Accounts be approved;
- (2) that the comments of members set out above together with the amended pages (copy attached to these minutes with the amendments shown in yellow) be taken into account by the Head of Finance in preparing the final document.

(Amanda Card, Principal Accountant Corporate Finance - (01935) 462542)
(amanda.card@southsomerset.gov.uk)

19. Date of Next Meeting (Agenda item 9)

Members noted that the next meeting would be held on Thursday, 23rd July 2009 at 10.00 a.m. in Committee Room 3/4, Council Offices, Brympton Way, Yeovil.

NOTED.

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

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 Chairman

Income & Expenditure Account

(Brackets represent income)

Previous Year Restated 2007/08 £'000	Service	Note	Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Cost of Services 2008/09 £'000
1,891	Central Services		12,119	(9,725)	2,394
15,469	Cultural, Environmental and Planning Services		25,081	(8,535)	16,546
566	Highways and Transport		4,410	(3,018)	1,392
4,815	Housing Services		36,942	(32,554)	4,388
2,245	Corporate and Democratic Core		3,127	(293)	2,834
238	Non Distributed Costs		615	0	615
25,224	Net Cost of Services		82,294	(54,125)	28,169
2,026	Disposal of Fixed Assets	2			(12)
3,031	Precepts and Levies				3,255
(121)	Trading Surpluses and Deficits Account	3			758
117	Interest Payable(Receivable) & Similar Charges	43			(66)
27	Contribution of Housing Capital Receipts to Government Pool	34			11
(2,884)	Interest & Investment Income	43			(3,071)
(826)	Share of Right to Buy Receipts from former Council Dwellings Easements				(260)
654	Pensions Interest Costs and Expected Return on Pensions Assets	44			(2,135)
					1,812
27,248	Net Operating Expenditure				28,461
	Income from Taxation and General Government Grants				
(11,088)	Demand on Collection Fund				(11,808)
(1,884)	General Government Grants				(1,760)
(9,088)	Non-domestic Rate Redistribution				(9,525)
5,188	Deficit for the year				5,368

In accordance with the revised FRS17 reporting requirements, the method actuaries use to value assets has changed, requiring the 2007/08 figures for Pensions Interest Costs and Expected Return on Pensions Assets and deficits to be restated for the year. This has no effect on the overall decrease in the General Fund Balance. Full information is shown in note 44.

Notes to the Core Financial Statements continued

Financial Instruments Gains/Losses

The gains and losses recognised in the Income & Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

Current Year 2008/09	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available -for-sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(66)	0	0	
Losses on derecognition	0	0	0	
Interest payable and similar charges	(66)	0	0	(66)
Interest income	0	(2,415)	(656)	
Gains on derecognition	0	0	0	
Interest and investment income	0	(2,415)	(656)	(3,071)
Gains on revaluation			(923)	
Losses on revaluation			0	
Surplus arising on revaluation of financial assets			(923)	
Total Net (gain)/loss for the year	(66)	(2,415)	(1579)	

Financial Instruments Gains/Losses

For the purpose of comparison, the gains and losses recognised in the Income & Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments for 2007/08 are made up as follows:

Comparatives 2007/08	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available -for-sale assets	
	£'000	£'000	£'000	£'000
Interest expense	88	0	0	
Losses on derecognition	0	0	29	
Interest payable and similar charges	88	0	29	117
Interest income	0	(2,289)	(393)	
Gains on derecognition	0	0	(202)	
Interest and investment income	0	(2,289)	(595)	(2,884)
Gains on revaluation			(177)	
Losses on revaluation			0	
Surplus arising on revaluation of financial assets			(177)	
Total Net (gain)/loss for the year	88	(2,289)	(743)	

Group Income and Expenditure Account (brackets represent income)

Previous Year Restated 2007/08 £'000	Service	Note	Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Cost of Services 2008/09 £'000
1,891	Central Services		12,119	(9,725)	2,394
15,469	Cultural Environmental and Planning Services		25,081	(8,535)	16,546
566	Highways and Transport		4,410	(3,018)	1,392
4,815	Housing Services		36,942	(32,554)	4,388
2,245	Corporate and Democratic Core		3,127	(293)	2,834
238	Non Distributed Costs		615	0	615
25,224	Net Cost of General Fund Services		82,294	(54,125)	28,169
(96)	Share of the Operating Result of Joint Venture		14	(19)	(5)
25,128	Net Cost of Services		82,308	(54,144)	28,164
2,026	Loss on Disposal of Fixed Assets				(12)
3,031	Precepts and Levies				3,255
(121)	Trading Surpluses and Deficits account				758
117	Interest Payable(Receivable) and Similar Charges				(66)
27	Contribution of Housing Capital Receipts to Government Pool				11
(2,884)	Interest & Investment Income				(3,071)
(6)	Share of Interest & Investment Income of Joint Venture				(5)
(826)	Share of Right to Buy Receipts from former Council Dwellings Easements				(260)
0					(2,135)
654	Pensions interest costs and expected return on pensions assets				1,812
27,146	Net Operating Expenditure				28,451
	Income from Taxation and General Government Grants				
(1,884)	Central Government Grants				(1,760)
(9,088)	Non-domestic rate redistribution				(9,525)
(11,088)	Council Tax Income				(11,808)
5,086	Deficit for the year				5,358