

2. Apologies for Absence (Agenda item 2)

An apology for absence was received from Cllr. Ian Martin. Cllr. Martin had also asked that it be recorded that he had arranged with the Assistant Director (Finance and Corporate Services) to receive Treasury Management training separately from the training session that was to take place immediately after the conclusion of the formal Committee meeting.

3. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

4. Public Question Time (Agenda item 4)

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

5. South West Audit Partnership - Annual Report 2009/2010 (Agenda item 5)

The Group Auditor summarised the annual report of the South West Audit Partnership (who provided the internal audit service for the Council), which included an opinion on the overall adequacy and effectiveness of the Council's risk management systems and internal control environment. Details of the annual report, which supported the Council's Annual Governance Statement, were included in the agenda report.

The Group Auditor further referred to the performance of the South West Audit Partnership in respect of operational/governance audits completed in the year compared to the plan, which was 83% and a slight reduction on the previous year (87.5%). He indicated, however, that the number of planned audits had increased and although the percentage figure was smaller, the actual number of audits completed was greater. In addition, 9 unplanned special investigations had been carried out.

In referring to those areas that had not been covered by an internal audit review he indicated that the Assistant Director (Finance and Corporate Services) had sought assurance by way of a signed operational statement from the Head of Service that they were content with the internal control environment for their service.

In summary, the Group Auditor reported that he could provide 'reasonable' assurance that internal controls were in place and working well for those services reviewed during the year. In referring to the key financial systems he mentioned that the Council was one of the top performing authorities in terms of financial controls.

The Group Auditor further referred to the assurance levels and reported that the way in which the risks were scored had changed with effect from the 2010/11 financial year. He explained that risks identified for the service under review were now assessed corporately and that recommendations were scored by priority. The Group Auditor referred to using a 'heat map' to show corporate risks and noted the suggestion of the Chairman that it be shown in future internal audit reports where appropriate.

The Chairman referred to the managed audits. In noting that they were completed to assist the external auditor in the assessment of the Council's financial control environment he queried whether that was taken into account in the Audit Commission's fee. The Audit

Manager commented that the fee for 2010/11 had been discounted by 7% below the scale fee and took into account the quality of the work carried out by the Council.

In response to a question, the Assistant Director indicated that the audit review to be undertaken of the ICT Strategy would take into account the Council's partnership with East Devon District Council.

A member referred to the new Government's announcement that they would reduce local government inspection and abolish the Comprehensive Area Assessment and queried whether there was any information yet on the extent of future auditing of local authorities. It was also questioned whether there would be any impact on internal audit if the scope of external audit was to be lightened.

The Audit Manager commented that the Commission were currently working on what the impact of the Government's announcement would be. He indicated that the Comprehensive Area Assessment had been abandoned to reduce costs but it was not yet clear what the full implications of the announcement would be. He further commented that although the work of internal audit assisted the Audit Commission's work it primarily gave the local authority assurances about its own internal controls. The Assistant Director also commented that the importance of internal audit was in giving the authority and its statutory officers in particular reassurance about the control environment by evaluating its effectiveness.

In response to a question from a member regarding the special investigations referred to in the agenda report, the Group Auditor reported that there was nothing arising that needed to be brought to the Committee's attention.

The Assistant Director further informed the Committee that a fraud strategy was being produced, which would link all anti-fraud work. She further reported that all fraud and fraud work would be pulled together annually as a report made to Audit Committee.

RESOLVED: that the South West Audit Partnership Annual Report 2009/10 be noted.

*(David Hill, Group Auditor, South West Audit Partnership - 01305 838251)
(david.hill@southwestaudit.gov.uk)*

6. Review of Internal Audit (Agenda Item 6)

The Assistant Director (Finance and Corporate Services) summarised the agenda report, which informed the Committee of the recent review of the effectiveness of the delivery of internal audit through the South West Audit Partnership (SWAP) during 2009/10.

Members noted that the Assistant Director (Finance and Corporate Services), as Section 151 Officer, had undertaken the review and that the findings had been reported to the Corporate Governance Group as part of the overall evaluation and supporting evidence for the Annual Governance Statement. It was found that overall the team performed well and that this view was supported by the comments of external auditors, client satisfaction and the Council's 'Use of Resources' scores. In conclusion, the Assistant Director stated that in her opinion and that of the Corporate Governance Group, the system of internal audit was effective.

The Assistant Director referred to the Triennial Review of the South West Audit Partnership that had been carried out by the Audit Commission, a copy of which was attached to the agenda. She indicated that the Audit Commission's report was very positive and that the

Head of the South West Audit Partnership had agreed to take up the actions outlined for further improvement, details of which were included in the agenda report.

In response to comments regarding comparisons of costs with the private sector, the Group Auditor reported that Dorset County Council had now joined SWAP and there were a number of days that they had contracted out to the private sector. The arrangement was due to end in November and SWAP would be reviewing the continuation of such arrangements. The Assistant Director commented that should the Council request extra audits, an additional charge was not made by the Partnership.

In response to a comment from a member, the meaning of the action set out in the second bullet point under 'Actions to be Completed in 2010/11' on page 8 of the agenda was clarified. The Committee noted that the Audit Commission had recommended that no member of staff of SWAP should be involved in an audit area where they had worked for the body being audited during the previous year so as to avoid a conflict of interests. This had previously been six months, which was considered too short a period.

RESOLVED: that the findings of the review of the effectiveness of the delivery of internal audit be noted.

*(Donna Parham, Assistant Director (Finance and Corporate Services) - 01935 462225)
(donna.parham@southsomerset.gov.uk)*

7. 2009/10 Annual Governance Statement (Agenda item 7)

The Assistant Director (Finance and Corporate Services) summarised the agenda report, which asked members to approve the Annual Governance Statement. It was noted that as a local authority, the Council was required to demonstrate compliance with the underlying principles of good governance and that a framework existed to demonstrate this, one of the requirements being to produce an Annual Governance Statement, a copy of which was attached to the agenda.

The Assistant Director in referring to the Annual Governance Statement Framework, further reported that a need had been identified for managers to check that staff were aware of the Financial Procedure Rules and other governance documents as some issues had been raised this year. Further training would, therefore, be carried out at a meeting of the Corporate Performance Team.

The Chairman referred to the guidance that had been produced to facilitate partnership working and queried whether checks were made that the partnerships performed in a viable and useful way. The Assistant Director reported that each partnership appeared on service plans and managers should review them periodically. She indicated that she could bring back the Partnership Register to the Committee and also mentioned that the Third Sector and Partnership Manager was conducting a review of all partnerships. The Assistant Director noted the request that a report be submitted to the Committee regarding the Council's partnership working arrangements.

In response to a question, the Assistant Director clarified the references made in the Annual Governance Statement relating to the reviewing of the Council's constitution by the Standards Committee and/or Audit Committee. The Assistant Director noted the request that the references relating to the review of the Council's constitution in the document should be made clearer.

- RESOLVED:** (1) that the 2009/10 Annual Governance Statement be approved subject to the references to the review of the Council's constitution within the document being clarified;
- (2) that a report be submitted to the Committee regarding the Council's partnership working arrangements.

(Donna Parham, Assistant Director (Finance and Corporate Services) - 01935 462225)
(donna.parham@southsomerset.gov.uk)

8. Forward Plan and Programme of Meetings (Agenda item 8)

Reference was made to the agenda report and members considered the Forward Plan for the Audit Committee for 2010/11, which had been drawn up in consultation with the Chairman. The Committee also noted the programme of meetings for the municipal year.

- RESOLVED:** (1) that the Audit Committee Forward Plan for 2010/11 as set out on pages 20-21 of the agenda be approved;
- (2) that the programme of meetings for 2010/11 as set out in the agenda report be noted.

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

9. Date of Next Meeting (Agenda item 9)

Members noted that the next meeting would be held on Thursday, 24th June 2010 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