

MEETING AC.05:1011
DATE 23.09.10

South Somerset District Council

Draft Minutes of a meeting of the **Audit Committee** held in the Main Committee Room, Council Offices, Brympton Way, Yeovil on **Thursday, 23rd September 2010.**

(10.00 a.m. – 12.40 p.m.)

Present:

Members: Derek Yeomans (in the Chair)

Mike Best	Alan Smith
John Calvert	Colin Winder
Roy Mills	

Also Present:

Tom Parsley

Officers:

Mark Williams	Chief Executive
Donna Parham	Assistant Director (Finance and Corporate Services)
Amanda Card	Finance Manager
Gary Russ	Procurement and Risk Manager
Roger Brown	ICT Manager (for minute 49)
Andrew Blackburn	Committee Administrator

Also Present:

Peter Lappin Audit Manager, Audit Commission

39. Minutes (Agenda item 1)

The minutes of the meeting held on the 26th August 2010, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

40. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs. John Hann, Ian Martin and John Richardson.

41. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

42. Public Question Time (Agenda item 4)

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

43. 2009/10 Annual Governance Report (Agenda item 5)

Reference was made to the agenda report, which introduced the Audit Commission's Annual Governance Report for 2009/10, a copy of which was attached to the agenda.

The Audit Manager, from the Audit Commission, reported that since the agenda had been published some amendments had been made to the Annual Governance Report and he circulated to members present at the meeting an up to date copy of the document. The Audit Manager outlined the amendments made including the following:-

- in referring to paragraph 7 (Opinion on the Financial Statements), the Audit Manager reported that the outstanding matter shown in that paragraph had now been cleared and had been deleted. It was noted therefore that there were no outstanding matters remaining and that it was planned to issue an unqualified opinion on the financial statements;
- reference was made to the weakness in internal control identified in paragraph 10 and the recommendation in the action plan (appendix 6) relating to the need for the Council to ensure that managers completed Authority to Appoint forms for all new employees, including casual staff. The Audit Manager mentioned that an action had been added to the action plan to the effect that the HR Manager would discuss the issue with the Assistant Director (Finance and Corporate Services).

The Assistant Director (Finance and Corporate Services) reported that the HR Manager would put checks in place and that the accountants monitored payments made. She also mentioned that casual staff were not paid without a timesheet having been authorised by a manager.

The Audit Manager summarised the Annual Governance Report during which he mentioned that the key messages were all good and that he planned to issue an unqualified opinion. He also referred to the financial statements having been well presented and to the helpfulness of the Assistant Director and the accountants.

Reference was made to table 2, which identified certain salary costs of £209,000 having been capitalised and to the Audit Commission having commented that the Council had not provided sufficient evidence that this expenditure met the definition of capital. The Assistant Director (Finance and Corporate Services) commented that she felt that the salary costs had been charged legitimately but would review the process for 2010/11 to ensure that sufficient evidence was collated to show that the costs were accounted for correctly and that the Audit Commission would find satisfactory.

Reference was made to paragraph 8, which related to the Council having offset revaluation gains on land against revaluation losses on buildings for some specialised operational properties, as detailed in the report. It was noted that, although management accepted that this was an error, the mis-statements had not been amended in the Statement of Accounts. The amendments would, however, be made during 2010/11 to ensure that the accounting was correct. The Committee indicated that it was content with the way this matter was to be dealt with and noted that the matter had been referred to in the letter of representation.

Having considered the matters raised, the Committee indicated that it was content with the Annual Governance Report.

- RESOLVED:**
- (1) that the matters raised in the Annual Governance Report be noted;
 - (2) that the Committee approves the Assistant Director (Finance and Corporate Services) signing the letter of representation outlined in Appendix 4 of the Annual Governance Report on behalf of the Council;
 - (3) that the draft Auditor's Report as outlined in Appendix 1 and amendments made to the Statement of Accounts in Appendix 2 be noted;
 - (4) that the unadjusted mis-statements in the accounts as outlined in Appendix 3 be noted and the management's decision not to adjust the financial statements be supported;
 - (5) that it be noted that the value for money criteria had been met as outlined in Appendix 5;
 - (6) that the Committee agrees the recommended actions in Appendix 6 and note that they have been added to the Strategic Improvement Plan.

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

44. 2009/10 Annual Statement of Accounts (Agenda Item 6)

The Finance Manager summarised the agenda report and re-presented the 2009/10 Annual Statement of Accounts to the Committee to show the amendments required, which were highlighted during the audit and referred to in the Annual Governance Report.

- RESOLVED:**
- (1) that the Committee note the amendments to the Statement of Accounts to correct the errors and differences in some interpretations that were highlighted during the audit;
 - (2) that the items and reasons why amendments suggested by the Audit Commission were not made to the Statement of Accounts be noted;
 - (3) that the Committee note the addition of a Post Balance Sheet Event relating to the Pension Increase Order whereby payments will be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

*(Amanda Card, Finance Manager - 01935 462542)
(amanda.card@southsomerset.gov.uk)*

45. Summary Statement of Accounts (Agenda item 7)

Reference was made to the agenda report and the Committee was asked to comment on the 2009/10 Summary of Accounts before publication.

Upon inspecting the Summary of Accounts document members suggested that the following amendments be made:-

- in the pie chart under the section “Where the money goes” expenditure of £41.350m was shown for Housing Services, whilst the text within the ‘bubble’ below it indicated that £45.936m was paid out in respect of Housing Subsidy. It was clarified that the latter figure relating to Housing Subsidy was split between housing and central services. The view was expressed that these figures may be compared and be confusing to the public. It was asked that reference to them be made clearer in the document;
- reference was made to the text below the pie chart under the section “Where the money comes from”, particularly the wording “...leaves a net deficit of £4.325m, of which £5.252m relates to technical accounting entries ...”, which when comparing the figures did not seem to make sense and should be clarified;
- in referring to the table outlining capital expenditure that had been incurred, a member made particular reference to “Other Council wide projects” amounting to £213,000 and queried whether the list was as expansive as it could be. The Finance Manager commented that it was a matter of achieving the right balance and that if a member of the public required more information it could be provided on request. It was suggested that a note be included on that page of the document indicating that further explanatory details were available on the website.

RESOLVED: that the 2009/10 Summary of Accounts be approved for publication subject to the above amendments.

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

46. **Asset Management Update Report (Agenda item 8)**

The Finance Manager summarised the agenda report, which updated members on the items that arose from the consideration of the Asset Management Audit Action Plan Update at the meeting of the Committee in August 2010.

In referring to the three tenancy arrangements where there was no formal agreement, the Finance Manager further updated members and reported that one tenant had now given notice to relinquish the tenancy.

In noting the update of the Finance Manager regarding the involvement of the District Council with allotments, the Committee remained of the view that it would be worthwhile looking at the possibility of transferring allotments to appropriate parish/town councils and asked that the matter be considered by the Strategic Asset Management Group.

- RESOLVED:** (1) that the report of the Finance Manager on the issues that arose from consideration of the Asset Management Audit Action Plan Update at the August 2010 meeting of the Committee be noted;
- (2) that the Strategic Asset Management Group be asked to consider the possibility and merits of transferring allotments held by the District Council to appropriate parish/town councils.

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

47. **Confidential Items**

RESOLVED: that the following items (Minutes 48 and 49) be considered in closed session by virtue of paragraph 3 of Schedule 12A to the Local Government Act 1972, i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information) as it is considered that the public interest in maintaining the exemption from the Access to Information rules outweighs the public interest in disclosing the information.

48. Partnership Governance with East Devon District Council (Confidential Agenda item 11)

Reference was made to the agenda report, which updated members on the progress of the partnership with East Devon District Council and asked the Committee to review and comment on the draft shared senior management structure proposals, particularly in terms of its governance arrangements. It was noted that the draft structure together with comments from members and officers would be considered by the Joint Integration Committee on the 28th October 2010.

A number of comments were made by members and the Committee asked that the Chief Executive note the points made in order to inform the final proposals to be considered by the Joint Integration Committee.

- RESOLVED:** (1) that the report giving an update on joint working with East Devon District Council be noted;
- (2) that the comments of the Committee as set out in the confidential minute be noted by the Chief Executive in order to inform the final proposals for the shared senior management structure to be considered by the Joint Integration Committee on 28th October 2010.

(Mark Williams, Chief Executive – 01935 462101)

(m.williams@southsomerset.gov.uk)

(Donna Parham, Assistant Director (Finance and Corporate Services) – 01935 462225)

(donna.parham@southsomerset.gov.uk)

49. Audit Review – Data and Communication Centre Facilities Management Report (Confidential Agenda item 12)

The ICT Manager summarised the agenda report, which provided members with an update on the actions taken in response to the audit of the data centre carried out by the South West Audit Partnership (SWAP) and published in January 2010. The ICT Manager commented that a number of actions had already been completed and that the remainder were on course for completion.

The ICT Manager then responded to members' questions and comments regarding progress with the action plan.

- RESOLVED:** (1) that the progress made in respect of the Data and Communication Centre Facilities Audit Action Plan be noted;
- (2) that a further progress report be submitted to the Committee in three months' time.

(Roger Brown, ICT Manager – 01935 462632)

50. Procurement Procedure Rules/Amendments (Agenda item 9)

The Procurement and Risk Manager summarised the agenda report, which detailed the reasons for suggested amendments to the Procurement Procedure Rules, which would give further clarification for managers and improved procurement controls. The Committee was asked to recommend Council to approve the amended Procurement Procedure Rules.

The Procurement and Risk Manager also gave members examples of certain contract activity, which illustrated some weaknesses in procurement controls.

The Committee indicated its support for the action taken in respect of the Section 106 Planning Obligation Monitoring System as reported by the Procurement and Risk Manager.

During the ensuing discussion, a member queried whether there was a protocol whereby an officer was obliged to consult with the Procurement and Risk Manager before proceeding with a contract. The Procurement and Risk Manager reported that significant projects would normally go through the Project Resources Group, which he attended and therefore would be in a position to give advice. He indicated, however, that he did not necessarily become aware of all contracts as there may be some instances where they may not be picked up by the Procurement Procedure Rules.

Members felt that the Procurement and Risk Manager should be consulted by officers before letting any major contracts and asked that the Management Board be made aware of the Committee's view.

- RESOLVED:** (1) that Council be recommended to approve the amended Procurement Procedure Rules;
- (2) that Management Board be made aware of the Committee's view that the Procurement and Risk Manager should be consulted by officers before letting any major contract.

(Gary Russ, Procurement and Risk Manager – 01935 462076)
(gary.russ@southsomerset.gov.uk)

51. Date of Next Meeting (Agenda item 10)

Members noted that the next meeting would be held on Thursday, 28th October 2010 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)

.....
Chairman