

MEETING AC.09:1011
DATE 24.02.11

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, 24th February 2011**.

(10.00 a.m. – 11.40 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

Mike Best	John Richardson
John Calvert	Peter Roake
John Hann	Alan Smith
Ian Martin	Colin Winder

Officers:

Amanda Card	Finance Manager
Karen Gubbins	Principal Accountant - Exchequer
Gerry Cox	Head of Internal Audit Partnership
Andrew Ellins	Audit Manager – South West Audit Partnership
Andrew Blackburn	Committee Administrator

82. Minutes (Agenda item 1)

The minutes of the meeting held on the 27th January 2011, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

83. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs. Roy Mills and Robin Munday (Portfolio Holder – Resources and Legal Services).

84. Declarations of Interest (Agenda item 3)

Cllr. John Calvert referred to agenda items 8 regarding the Treasury Management Performance to December 2010 and 9 regarding the Treasury Management Strategy Statement and Investment Strategy 2011/12 and mentioned that his son worked for one of the banks, which may be used by the Council for specified investments. He did not consider this to be a personal or prejudicial interest in terms of the Code of Conduct.

85. Public Question Time (Agenda item 4)

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

86. 2010/11 Internal Audit Quarterly Update Report (Agenda item 5)

The Audit Manager, South West Audit Partnership, summarised the agenda report, which provided members with an update on Internal Audit activity for Quarter 3.

The officers responded to members' questions and comments. Matters mentioned included the following:-

- reference was made to asset management, which had received partial assurance in the previous audit review undertaken in 2009. It was noted, however, that the recent follow up review had shown that improvements had been made and, although there were still some areas where further improvements could be made, an audit opinion of reasonable assurance had been given;
- a member referred to the audit review of the Register of Interests - Staff, which it was noted had received a partial assurance. The Head of the Internal Audit Partnership commented that compliance with the Local Government Act through the guidance given in the staff code of conduct had been demonstrated although there were some weaknesses with the recording of interests and a lack of a uniform approach across the services;
- the Audit Manager explained that the recommendations columns shown in Appendix B of the agenda report referred to the priority that should be given by the service itself in carrying out the recommendations of the audit review and were not priorities on a corporate level.

The Committee was content to note the report of the South West Audit Partnership.

RESOLVED: that the Quarter 3 Report 2010/11 of the South West Audit Partnership be noted and accepted.

*(Andrew Ellins, Audit Manager, South West Audit Partnership – 01935 462378)
(andrew.ellins@southwestaudit.gov.uk)*

87. Internal Audit Plan 2011-12 (Agenda Item 6)

The Audit Manager, South West Audit Partnership, summarised the agenda report, which informed members of the details of the Internal Audit Plan for 2011/12.

In response to a comment from a member it was clarified that the figures shown in the agenda report relating to the total number of audit days planned for 2011/12 was 459 compared with 570 in the current year. It was also noted that the proportion paid to the Partnership by the Council would be reduced in accord with the reduction in the number of days.

Members referred to the Key Income Control Audits in respect of Wincanton Sports Centre and Goldenstones and in response to a question, the Audit Manager reported that those audits would still be carried out by the South West Audit Partnership even though both facilities were either already managed by a charitable trust or were in the process of being transferred to such a trust.

In referring to the Governance Audits, the Head of the Internal Audit Partnership commented that these audits would be looking to see whether the areas concerned were operating best practice and as they were being carried out at all of the South West Audit Partnership's clients sites, outcomes could be shared and used for benchmarking.

The Chairman, in referring to the agenda report, commented that he was pleased to see clear definitions of what each type of audit covered.

Arising from discussion of the Internal Audit Plan, the Chairman referred to the large amount of public interest and concern regarding the severance package received by the Council's former Chief Executive. The Committee concurred with the suggestion that, given the degree of public interest and concern, an audit of the severance package should be carried out by the South West Audit Partnership and a report submitted to the next meeting of the Committee. The Head of the Internal Audit Partnership noted the request of the Committee.

RESOLVED: that the Internal Audit Plan for 2011/12 be approved.

*(Andrew Ellins, Audit Manager, South West Audit Partnership – 01935 462378)
(andrew.ellins@southwestaudit.gov.uk)*

Note to Minute: Since the meeting the Chief Executive has confirmed that having considered the Committee's terms of reference, the level of expressed interest and the need for transparency in reporting on this matter, that the internal audit review, when received, should be referred to the external District Auditor for assessment and that furthermore in the light of the next meeting of the Committee falling after publication of the Notice of Elections for the District Council the full externally assured report will come to a future meeting of the Committee.

88. Internal Audit Charter Annual Review (Agenda item 7)

The Audit Manager, South West Audit Partnership, summarised the agenda report and asked the Committee to review and endorse the Internal Audit Charter as attached to the agenda. It was noted that the Charter was last reviewed by the Audit Committee at its meeting on 25th February 2010.

RESOLVED: that the Internal Audit Charter as set out on pages 19-21 of the agenda be approved.

*(Andrew Ellins, Audit Manager, South West Audit Partnership – 01935 462378)
(andrew.ellins@southwestaudit.gov.uk)*

89. Treasury Management Performance to December 2010 (Agenda item 8)

The Principal Accountant – Exchequer summarised the agenda report and the Committee reviewed the Treasury Management activity and the performance against the Prudential Indicators for the nine months ended 31st December 2010. In referring to the returns on investments for the first nine months of 2010/11 compared to the profiled budget, the Principal Accountant remarked that the figures showed a shortfall under budget of £47,000. She also commented that it was currently estimated that the position at the end of the financial year would be an overall adverse variation in the order of £67,000.

Reference was made to the table showing the forecast for interest rates, which was based on the position at December 2010. Although appreciating that the monitoring report covered the period up to the end of December 2010, the Committee concurred with the comments of a member who felt that it would be useful if a forecast of interest rates based on the current situation was also shown for comparison. The Finance Manager noted the comment made and agreed to include this information in future Treasury Management Performance reports.

In response to a question, the Principal Accountant explained that the difference in the value of investments shown at the 1st April and 31st December 2010 in respect of the Business Reserve Accounts had been due to the receipt of Council Tax payments. The Finance Manager reported that a note could be included in future reports to indicate how the Council's cash flow, e.g. receipt of Council Tax, had an impact on internal investments.

- RESOLVED:** (1) that the Treasury Management Activity for the nine month period ended 31st December 2010 be noted;
- (2) that the position of the individual Prudential Indicators for the nine month period ended 31st December 2010 be noted.

(Karen Gubbins, Principal Accountant – Exchequer – 01935 462456)
(karen.gubbins@southsomerset.gov.uk)

90. Treasury Management Strategy Statement and Investment Strategy 2011/12 (Agenda item 9)

The Principal Accountant – Exchequer referred to the agenda report, which asked members to review and recommend to full Council that the Treasury Management Strategy Statement and Investment Strategy 2011/12 be approved.

The Principal Accountant indicated that there were no major changes. She referred, however, to the change, which had been previously reported to the Committee, relating to the increase in the maximum group limit for investments with the Bank of Scotland/ Lloyds Banking Group to £9,002,000 but maintaining a £6m individual limit for each of the two banks (plus any outstanding interest for Bank of Scotland).

Arising from discussion of this item, reference was made to the Treasury Management Performance Reports that were submitted to the Audit Committee on a quarterly basis. Members commented that it would be useful if a more detailed breakdown could be provided in future reports of the spread of the Council's investments including the deposits made and the term of the investments. The Finance Manager agreed to look at the best way of showing this information for inclusion in future performance reports.

The Committee was content to recommend the approval of the Treasury Management Strategy Statement and Investment Strategy for 2011/12 to full Council.

- RESOLVED:** that Council be recommended to approve the Treasury Management Strategy Statement and Investment Strategy for 2011/12.

(Karen Gubbins, Principal Accountant – Exchequer – 01935 462456)
(karen.gubbins@southsomerset.gov.uk)

91. Accounting Policies for 2010/11 Statement of Accounts (Agenda item 10)

The Finance Manager summarised the agenda report and asked the Committee to approve the Accounting Policies for 2010/11, paying particular attention to the key accounting policy changes as a result of moving towards International Financial Reporting Standards, details of which were set out in the agenda report. It was noted that the Accounting Policies formed part of the Statement of Accounts, which would be prepared in accordance with those policies. The Finance Manager also circulated to members at the meeting a glossary of the terms used in the Accounting Policies.

The Committee then went through the Accounting Policies page by page during which the Finance Manager clarified, in response to members' questions, the meaning of technical points of detail within the policy document. Members asked that where acronyms were used, they be first set out in full in all cases.

The Committee suggested that it would be helpful to members, especially those newly elected, if explanatory notes similar to those that were prepared in respect of Treasury Management, could be provided relating to the Accounting Policies and the preparation of the Statement of Accounts. The Finance Manager agreed to arrange for appropriate factsheets to be provided. She also mentioned that appropriate training was to be given to members as part of the induction process after the elections.

The Committee was content to approve the Accounting Policies.

RESOLVED: that the Accounting Policies relating to the 2010/11 Statement of Accounts be approved.

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

92. Date of Next Meeting (Agenda item 11)

Members noted that the next meeting would be held on Thursday, 24th March 2011 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