

MEETING AC.01:1112
DATE 23.06.11

South Somerset District Council

Draft Minutes of a meeting of the **Audit Committee** held in Committee Room 3/4, Council Offices, Brympton Way, Yeovil on **Thursday, 23rd June 2011**.

(10.00 a.m. – 11.55 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

John Calvert
Marcus Fysh
Ian Martin

John Richardson
Colin Winder

Also Present:

Cathy Bakewell
Martin Wale

Officers:

Mark Williams
Donna Parham
Karen Gubbins
Andrew Ellins
Andrew Blackburn

Chief Executive
Assistant Director (Finance and Corporate Services)
Principal Accountant - Exchequer
Audit Manager – South West Audit Partnership
Committee Administrator

Also Present:

Peter Lappin Audit Manager, Audit Commission

1. Minutes (Agenda item 1)

The minutes of the meeting held on the 28th April 2011, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

Arising from the approval of the minutes, Cllr. Colin Winder referred to the item regarding the Financial Procedure Rules, particularly the reference to the Council's Management Board. He enquired if the agendas and minutes of meetings of the Management Board were available for members to see. He also queried whether a check was made that information on internal regulatory procedures was passed to staff.

The Chief Executive commented that Management Board agendas and minutes were internal administration documents of the authority. Where relevant to the work of the Audit Committee he would assess on a case by case basis their availability. With regard to regulatory procedures the Assistant Director (Finance and Corporate Services) reported that evidence could be provided of good practice and that if any breach did occur the relevant manager would be contacted and asked to make sure that staff were aware of the Financial Procedure Rules.

The Chairman referred to paragraph 1.10 in the introduction section of the Financial Procedure Rules, which clearly stated that the Management Board was responsible for ensuring that all managers were aware of the existence and content of the Authority's Financial Procedure Rules and other internal regulatory documents and that they were complied with by all employees.

2. Apologies for Absence (Agenda item 2)

Apologies for absence were received from Cllrs. John Dyke, Tony Lock and Roy Mills.

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. Audit of Financial Controls 2010/11 (Agenda item 5)

Reference was made to the agenda report, which introduced the Audit Commission's report on their findings from their Audit of Financial Controls for 2010/11.

The Audit Manager summarised the report, which showed the work carried out by the Audit Commission in looking at the Council's financial controls in advance of their audit of the Statement of Accounts. He indicated that the report was a positive one and, in referring to their review of progress with recommendations from the Annual Governance Report 2009/10, was pleased that the recommendations made had been implemented by the Council. He further referred to the action plan, which contained recommendations with regard to all budget holders explaining the action that was being taken to recover debts to comply with the Council's Financial Procedure Rules and also regarding the Council completing the exercise to check the validity of single person discounts in respect of Council Tax.

The Assistant Director (Finance and Corporate Services) in referring to the recommendations in the action plan, and in response to a question from a member, reported that the Financial Procedure Rules had been strengthened to improve instructions for managers in carrying out their role on debt recovery. She also reported that a review was being undertaken to see if debt recovery procedures could be improved including whether they would be better as a centralised function and if a shorter timescale for debt recovery could be achieved. With regard to Council Tax, she indicated that a review was being undertaken of single person discounts and the outcome would be reported to the Audit Committee by the end of September 2011.

The Committee, in referring to the review being undertaken of debt recovery procedures, asked that a report on the revised process be submitted to the Committee in six months, which was noted by the Assistant Director (Finance and Corporate Services).

RESOLVED: that the contents of the Audit Commission report on the Audit of Financial Controls 2010/11 be noted.

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

6. 2010/11 Internal Audit Annual Report and Opinion (Agenda Item 6)

The Audit Manager, South West Audit Partnership (SWAP), summarised the report on the agenda, which gave an update on the position of the Internal Audit Plan at the end of 2010/11 and provided Internal Audit's overall opinion on the Council's systems of internal control.

In conclusion the Committee noted that, of the 50 audits undertaken in 2010/11, there were six that were non-opinion. For the remaining 44, where an audit opinion was given, 10 had received comprehensive assurance and 30 a reasonable assurance. It was noted that there were only three audits where the areas reviewed had received a partial assurance, i.e. Risk Management (risk registers including major partnerships), Register of Interests – Staff and Car Parks Follow Up. There was also one review currently still in progress. Overall, the Audit Manager reported that a reasonable assurance could be offered that the systems of internal control were in place and working well. He was also confident that where weaknesses had been identified, management had confirmed that they had or would take the necessary action to address those findings.

In response to a question from a member, the Audit Manager reported that the audit of the Streetscene Service, which had been deferred until 2011/12, was being done in the first quarter.

During the ensuing discussion, members made particular reference to the areas reviewed that had received a partial assurance and, at the request of the Committee, the Audit Manager read out the conclusions of each of the audit reviews concerned.

In response to questions regarding the Risk Management Review, the Assistant Director (Finance and Corporate Services) mentioned that all risks had now been transferred from the Magique system to TEN and the necessary training for staff would be taking place. Software problems that had arisen had now been resolved. With regard to project management, she commented that continuing risks were not being updated but measures were being put in place for that to happen. She also mentioned that the Procurement and Risk Manager would be attending Management Board on a regular basis, which would enable risks to be reviewed. Reference was made to it being usual for a report to be submitted to the Audit Committee to enable performance/progress against the audit action plan to be reviewed and the Assistant Director (Finance and Corporate Services) commented that the Procurement and Risk Manager would be submitting a report to the Committee as part of which she felt that it would be useful for a demonstration to be given of the risk management system to members.

In response to a question from a member, the Audit Manager commented that the concern with regard to the Register of Interests for Staff was the lack of a uniform good practice across the Council with some services being more robust than others in recording staff interests. The Committee concurred that there should be a standardised procedure. It was noted that an item had been included on the Committee's forward plan for a progress report against the audit action plan to be submitted to the next meeting of the Committee.

In referring to the Car Parks Follow Up Review, the Assistant Director (Finance and Corporate Services) reported that she had asked the Engineering and Property Services Manager to submit a report to the next meeting.

Members referred to the importance of these reviews and asked that reports be submitted to the Committee to enable the performance/progress against the audit action plans to be reviewed.

Arising from discussion of this item, a member asked whether there was information available that would enable the overall assurance ratings achieved by this Council to be

compared with those from other SWAP local authority partners. The Audit Manager reported that there was information available, which would enable a comparison to be made and that he would liaise with the Assistant Director (Finance and Corporate Services) with regard to its distribution to Audit Committee members.

- RESOLVED:** (1) that the 2010/11 Internal Audit Annual Report and Opinion be noted;
- (2) that, in respect of the three areas reviewed that received a partial assurance, i.e. Risk Management (Risk Registers including major partnerships), Register of Interests – Staff and Car Parks Follow Up, progress reports against the audit action plans be submitted to the July meeting of the Committee.

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

7. Review of Internal Audit (Agenda item 7)

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 2010/11.

Members noted that the Assistant Director (Finance and Corporate Services) (the Council's 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 this view was supported by the comments of external auditors and client satisfaction. 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 (Finance and Corporate Services) highlighted that the cost for South Somerset for the internal audit service was reducing whilst the numbers of audits carried out was increasing. She also commented that, importantly, the number of actions for improvements had decreased in relation to the number of audits carried out, which showed that the Council's control environment was improving continually.

- 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)*

8. 2010/11 Annual Governance Statement (Agenda item 8)

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.

In referring to part 5 of the Annual Governance Statement, which related to significant governance issues, the Assistant Director (Finance and Corporate Services) particularly mentioned the introduction of a policy and training where necessary for staff and elected members in relation to the Bribery Act 2010 and informed the Committee that she would be

submitting a report to the next meeting regarding that matter. She further referred to the need to complete the Fraud and Data Strategy to link all anti-fraud work, which would be coming back to the Committee in the next few months.

A member asked if the Committee was able to see risks identified by managers within the Risk Register. The Assistant Director (Finance and Corporate Services) reported that the Procurement and Risk Manager normally brought major risks for the authority to the Committee for monitoring. She also indicated that the Procurement and Risk Manager was making arrangements for information contained in the Risk Register to be made available via the computer in the Member's Room.

In response to a question from a member, the Chief Executive reported that the Localism Bill included the abolition of the Standards Board. He further indicated that efforts were being made within the County to agree a voluntary standard code of conduct, which would apply to members of this authority and be controlled by the Council itself.

The Committee indicated that it was content to approve the 2010/11 Annual Governance Statement.

RESOLVED: that the 2010/11 Annual Governance Statement be approved.

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

9. Audit Committee Terms of Reference (Agenda item 9)

The Assistant Director (Finance and Corporate Services) summarised the agenda report and members reviewed the Terms of Reference of the Audit Committee to ensure that its current and future role was clear. Members were reminded that this item had been considered by the Committee at its April meeting but was deferred to enable the Assistant Director (Finance and Corporate Services) to consider amended wording regarding the need for a process whereby reference could be made to District Executive if the Committee were not content with the response in respect of any request for a report to be submitted to the Committee.

The Assistant Director (Finance and Corporate Services) reported that the appropriate amendments had now been incorporated within the Terms of Reference as set out in the agenda report. She also referred to the report that was submitted to each full Council meeting giving a summary of the items that were discussed by the Audit Committee and reported that she had included a paragraph relating to this practice within the Terms of Reference. The Committee was asked to recommend the amended Terms of Reference to Council for adoption.

The Committee indicated that it was content to recommend the amended Terms of Reference to Council for adoption.

RESOLVED: that it be recommended to Council that the revised Audit Committee Terms of Reference as attached at pages 36-37 of the agenda report be adopted.

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

10. Future of Local Public Audit – Consultation (Agenda item 10)

Reference was made to the agenda report and the Assistant Director (Finance and Corporate Services) reminded members that the Department of Communities and Local Government (DCLG) consultation paper regarding the future of local public audit was initially considered by this Committee at its meeting on 28th April 2011. She further reported that the draft response attached to the agenda took into account the comments made by the Audit Committee at that meeting. The Committee was asked to approve the response to the consultation paper as attached to the agenda.

During the ensuing discussion, the Assistant Director (Finance and Corporate Services) answered members' questions and in response to comments, indicated that she would let the District Councils' Network know the content of this Council's response to the consultation paper.

RESOLVED: that the response to the DCLG's consultation paper regarding the future of local public audit, as attached to the agenda report, be approved.

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

11. Audit Committee Request for a Review of Severance Payment Made to Former Chief Executive of SSDC (Agenda item 11)

Reference was made to the agenda report, which had been prepared for the Audit Committee in response to a request for a review of the process and decision in respect of the redundancy of the former Chief Executive of the Council.

The Committee noted the outcome of the review, which had been set out clearly in the agenda report and gave assurance that due process had been followed and the decision had been made with full information provided and that the decision made was lawful. It was also noted that all members of the public that requested a review of the payment and decision making process would be sent a copy of both reviews.

RESOLVED: that the Committee note the findings of both the South West Audit Partnership (Internal Audit) and the District Auditor on behalf of the Audit Commission (External Audit) following their review of the process and decision in respect of the redundancy of the former Chief Executive of South Somerset District Council.

*(Mark Williams, Chief Executive – 01935 462101)
(mwilliams@southsomerset.gov.uk)*

12. 2010/11 Treasury Management Activity Report (Agenda item 12)

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 2010/11 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management practices. In referring to the returns on investments for the year compared to the profiled budget, the Principal Accountant remarked that the figures showed a shortfall under budget of £72,000.

During the ensuing discussion the Committee noted the concerns expressed by a member regarding the Council's investments being concentrated in the United Kingdom and

whether, in general, that was the best arrangement. He also commented that when comparing the interest rates received with the rate of inflation, the volume of capital was effectively eroding. He also questioned the forecast for interest rates given by the Council's advisers.

The Assistant Director (Finance and Corporate Services) responded to the issues raised and referred to the strategy adopted by the Council in managing investments, which included guidance from Arlingclose, the Council's advisers.

The Assistant Director (Finance and Corporate Services) noted the request of the Committee that a representative of Arlingclose attend a meeting of the Audit Committee to update members on the performance of the Council's Treasury Portfolio.

- RESOLVED:**
- (1) that the Treasury Management Activity for the 2010/11 financial year be noted;
 - (2) that the position of the individual Prudential Indicators for the 2010/11 financial year be noted;
 - (3) that the outlook for the investment performance in 2011/12 be noted;
 - (4) that the 2010/11 Treasury Management Activity Report be recommended to full Council.

(4 in favour, 1 against, 1 abstention)

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

13. Forward Plan and Programme of Meetings (Agenda item 13)

Reference was made to the agenda report and members considered the Forward Plan for the Audit Committee for 2011/12, which had been drawn up in consultation with the Chairman. The Committee also noted the programme of meetings for the municipal year.

During consideration of the Forward Plan a member suggested that an item be included to enable the Committee to look at the pension fund and the Council's liabilities. The Assistant Director (Finance and Corporate Services) commented that any report on the pension fund would need to come from Somerset County Council who administered the fund. She suggested, however, that the Committee first look at the Annual Statement of Accounts, which would show this Council's liability towards the pension fund. Although the Statement of Accounts were not due for approval by the Committee until the September 2011 meeting she felt it would be worthwhile having a training session after the July meeting to give members an overview of the Statement of Accounts prior to their approval in September. The Committee concurred with the suggestion of the Assistant Director.

- RESOLVED:**
- (1) that the Audit Committee Forward Plan for 2011/12 be approved;
 - (2) that the programme of meetings for 2011/12 be noted.

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

14. Date of Next Meeting (Agenda item 14)

Members noted that the next scheduled meeting of the Audit Committee would take place on Thursday, 28th July 2011 at 10.00 a.m.

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

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Chairman