

MEETING AC.11:1011
DATE 28.04.11

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, 28th April 2011**.

(10.00 a.m. – 11.20 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

Mike Best	Ian Martin
John Calvert	Roy Mills
John Hann (from 10.20 a.m.)	Colin Winder

Also Present:

Ric Pallister

Officers:

Donna Parham	Assistant Director (Finance and Corporate Services)
Gerry Cox	Head of Internal Audit Partnership
Andrew Blackburn	Committee Administrator

102. Minutes (Agenda item 1)

The minutes of the meeting held on the 24th March 2011, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

103. Apologies for Absence (Agenda item 2)

An apology for absence was received from Cllr. Peter Roake.

104. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

105. Public Question Time (Agenda item 4)

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

106. Audit Committee Terms of Reference (Agenda item 5)

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. Consideration was given to suggested amendments to the Terms of Reference as attached to the agenda report, which the Committee was asked to recommend to Council for adoption.

Members noted that the Committee's Terms of Reference had not been reviewed for a number of years and changes had been made to its role, for example, its revised role in Treasury Management. The Committee had also requested clarity around protocols in respect of any requests for items to be debated and discussed by the Committee. The Assistant Director referred to this matter having been addressed by point 16 within the revised Terms of Reference attached to the agenda, i.e., "The Audit Committee can request of the Assistant Director – Finance and Corporate Services (Section 151 Officer), the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report on any matter covered within these terms of reference".

During the ensuing discussion, particular reference was made to the need for a process whereby a reference could be made to District Executive if the Committee were not content with the response in respect of any request for an item to be submitted to the Committee. Members asked that consideration of the revised terms of reference be deferred to enable the Assistant Director (Finance and Corporate Services) to consider amended wording to address that issue.

RESOLVED: that consideration of the revised Terms of Reference for the Audit Committee be deferred until the next meeting (23rd June 2011) to enable the Assistant Director (Finance and Corporate Services) to present 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 an item to be submitted to the Committee.

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

107. Financial Procedure Rules (Agenda Item 6)

Reference was made to the agenda report and the Assistant Director (Finance and Corporate Services) explained the reasons for 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.

During the ensuing discussion, reference was made to the additional rule 2.13a, which required all Section 106 funds over £10,000 to be included in the capital programme once received and included within a quarterly monitoring statement for reporting to District Executive. In response to a question, the Assistant Director (Finance and Corporate Services) clarified that this process was in addition to the key procedures set up for the monitoring of all financial and non-financial planning obligations by the Section 106 Monitoring Officer.

The Assistant Director (Finance and Corporate Services) noted the comments of a member who asked that information on the composition of the Council's Management Board be defined clearly and be readily accessible.

The Committee was content to recommend to full Council that the revised Financial Procedure Rules be approved.

RESOLVED: that Council be recommended to approve the revised Financial Procedure Rules as attached at Appendix A of the agenda.

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

108. Future of Local Public Audit - Consultation (Agenda item 7)

The Assistant Director (Finance and Corporate Services) summarised the agenda report and asked the Committee to comment on the consultation paper from the Department of Communities and Local Government (DCLG) regarding the future of local public audit, a copy of which was attached to the agenda.

The Committee, upon considering the questions in the consultation paper made a number of comments including the following:-

- the Committee was of the view that the design principles set out in the consultation document needed to include reference to good governance and to more of the best practice within current Audit Committees. Comment was expressed that the Audit Committee had a wider remit than just dealing with external audit, for example, the scrutiny of Treasury Management. Also, the consultation document did not take into account the important championing role in good governance and risk management that most Audit Committees currently had or that, as elected members, they understood the objectives of a local authority in the provision of local services and the equality and diversity of the residents they served;
- the Committee agreed that the National Audit Office would be best placed to produce the Code of Audit Practice and the supporting guidance;
- the Committee felt that the National Audit Office should be responsible for maintaining and reviewing the register of Statutory Local Public Auditors;
- reference was made to how it could be ensured that the right balance was struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market. It was commented that the market must be open to competent auditors perhaps by way of a framework agreement where firms were assessed centrally in their abilities, enabling local authorities to then appoint from a list;
- with reference to what should constitute a public entity for the purposes of local audit regulation, members suggested that they should be those that currently fell within the Audit Commission's regime;
- comment was expressed that although welcoming the ability for the Council to appoint its own auditors, the arrangements set out within the consultation paper seemed complex, unquantified, untried and expensive. It was felt that the method outlined in the consultation paper involving each Audit Committee and full Council would make the appointment of auditors very difficult, especially if all authorities within the South West Audit Partnership wished to appoint the same external auditors, as it would be necessary to have the agreement of all the Audit Committees and full Councils of several authorities. The Committee felt it would be much better to follow a normal simple procurement process, jointly with other local authorities where appropriate. It was not considered that the approach outlined in the consultation paper for the appointment of auditors was needed;
- it was appreciated that the appointment of an external independent person as a member of an Audit Committee could be helpful. Concerns were expressed, however, about the balance suggested between independent and elected members. Having noted the suggestion that the majority of members of an Audit

Committee would be independent members, comment was expressed that councillors were elected by and were accountable to the public and therefore it seemed strange that non-elected independent members would be making decisions. It was felt that having a majority of independent members would weaken the role of the Audit Committee in championing the audit/governance/risk role within the authority;

- reference was made to the potential difficulty of finding the number of independent members required with the necessary skills and experience who would also be willing to be nominated as independent members. It was felt that the period of five years was too long a period to exclude previous officers and members of a local authority from being appointed as independent members of an Audit Committee and that this period could be reduced to, say, two years, which it was felt would be more than sufficient. Members noted that it had been found difficult to source suitable independent members for the Standards Committee. It was felt that remuneration would be expected by independent members and the Assistant Director (Finance and Corporate Services) mentioned that the independent Chair of the Standards Committee received £2,800 and independent members received £400 per annum;
- members agreed that any firm's term of appointment as auditors should be limited to a maximum of two consecutive five year periods;
- it was noted that the consultation paper suggested that unitary/county authorities would appoint auditors for the smaller bodies such as parish/town councils. Members felt that such a process would contradict the Government's proposals for localism. The view was expressed that all bodies should be able to appoint their own auditors although there needed to be a body that ensured that those auditors had been appointed. It was suggested that district/unitary authorities could ensure that each town or parish council had an appointed auditor as part of the annual precepting procedure. Other small bodies, for example, charities could perhaps be overseen by bodies such as the Charity Commissioners;
- the Committee was aware that the Audit Commission also played a part in combating fraud through the National Fraud Initiative together with alerting authorities and collecting data on fraud across the country. It was suggested that the National Fraud Initiative be moved to the National Audit Office so that there was a national role in combating fraud.

The Committee asked that the Assistant Director (Finance and Corporate Services) prepare a response to the consultation document on the basis of the above comments. The Assistant Director indicated that she would bring the draft response back to the next meeting of the Committee.

RESOLVED: that the Assistant Director (Finance and Corporate Services) prepare a response to the consultation document on the basis of the above comments and bring the draft response back to the June meeting of the Committee.

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

109. Date of Next Meeting (Agenda item 8)

Members noted that there was no meeting scheduled in May because of the forthcoming local elections. There would, however, be a training session specifically for members of the Audit Committee to be held after the elections on Thursday, 26th May 2011.

The first meeting of the Audit Committee in the new municipal year was scheduled to take place on Thursday, 23rd June 2011 at 10.00 a.m.

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

The Chairman referred to this being the last meeting before the elections and thanked members for their support during his chairmanship. Members also thanked the Chairman for his work in chairing the Committee.

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Chairman