

MEETING AC.03:1112
DATE 25.08.11

South Somerset District Council

Draft Minutes of a meeting of the **Audit Committee** held in Council Chamber B, Council Offices, Brympton Way, Yeovil on **Thursday, 25th August 2011**.

(10.00 a.m. – 10.35 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

John Calvert	Ian Martin
John Dyke	Roy Mills
Marcus Fysh	John Richardson
Tony Lock	Colin Winder

Also Present:

Tim Carroll

Officers:

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

25. Minutes (Agenda item 1)

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

26. Apologies for Absence (Agenda item 2)

There were no apologies for absence.

27. Declarations of Interest (Agenda item 3)

Cllr. John Calvert referred to agenda item 6 regarding the Treasury Management Performance to June 2011 and declared a personal interest as his son worked for one of the banks being used by the Council for a specified investment.

28. Public Question Time (Agenda item 4)

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

29. 2011/12 Internal Audit Quarterly Update Report (Agenda item 5)

The Audit Manager, South West Audit Partnership (SWAP), summarised the agenda report, which provided members with an update on internal audit activity for quarter 1.

The Audit Manager further reported that the spreadsheet (Appendix A) within the agenda report showed the progress with the Audit Plan at the time the report was produced. In updating members, he commented that it was expected that by the end of September 2011 SWAP would be on target to achieve the anticipated progress with the Internal Audit Plan, which had been set earlier in the year. He also indicated that so far there had been no audit reviews of services that had resulted in a partial assurance opinion having been given and that overall the control environment was good.

A member referred to the Audit Plan progress spreadsheet and questioned why there was a greater number of recommendations arising from some of the audit reviews in comparison with others. The Audit Manager indicated that the number of recommendations was primarily due to how frequent the audit reviews were carried out. He also commented that the recommendations generally related to those things that could be done better rather than to any major issues.

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

RESOLVED: that the Quarter 1 report 2011/12 of the South West Audit Partnership be noted and accepted.

*(Ian Baker, Group Audit Manager – 01935 462379)
(ian.baker@southwestaudit.gov.uk)*

30. Treasury Management Performance to June 2011 (Agenda Item 6)

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 three months ended 30th June 2011.

The Principal Accountant - Exchequer, in updating members, reported that following the advice of Arlingclose, the Council's treasury advisers, the period for any new investments with UK banks was to be restricted to six months and for those with European banks to one month. She also reported, however, that the Council had not been advised to withdraw any existing investments early. The Principal Accountant further commented that, although there may be a reduction in interest rates in respect of existing investments, it was still anticipated that there would be a surplus over the profiled budget for the year end.

During the ensuing discussion, the officers responded to members' questions and comments. Points addressed included the following:-

- reference was made to the Financing Costs mentioned in the table under Prudential Indicator 2 (Ratio of Financing Costs to Net Revenue Stream) and the Principal Accountant – Exchequer confirmed that the figures in brackets were a residual amount due to investment income outweighing financing costs;
- the Finance Manager confirmed that the slippage referred to in the tables under Prudential Indicators 1 (Capital Expenditure) and 3 (Capital Financing Requirement) related to capital schemes from one year to the next. She also mentioned that the progress of capital schemes was monitored and any slippage would be indicated in the capital budget monitoring reports that were submitted to District Executive and Scrutiny Committee every quarter;

- reference was made to Prudential Indicator 3 (Capital Financing Requirement) and the Principal Accountant – Exchequer confirmed that although the original figures shown in the Treasury Management Strategy Statement relating to the allocation of capital receipts and grants/contributions were correct at that time the figures had been transposed between the two categories. It was noted that the entries in the agenda report were shown correctly;
- in referring to the table under Prudential Indicator 9 (Operational Boundary for External Debt), it was queried why the variance relating to Other Long Term Liabilities (Finance Leases) was shown as income. The Finance Manager reported that the Council was paying less on finance leases than projected. She also indicated that the amount could vary taking into account new leases that may be taken out or existing leases that may be rescinded;
- a member queried whether the recent falls in the stock market had an impact on the Council's investment strategy. The Finance Manager reported that the Council did not invest directly in stocks and shares but rather in money market funds, which could be affected indirectly by fluctuations in the stock market;
- the Principal Accountant – Exchequer confirmed that the Council's treasury advisers, Arlingclose, had revised their interest rate forecast and were not now expecting a rise until the second quarter of next year;
- in response to questions from a member, the Finance Manager and the Principal Accountant – Exchequer gave more specific information regarding the individual investments held by the Council, which were listed in the agenda report;
- the Finance Manager informed members of the details of the contract on which Arlingclose, the Council's advisers, were appointed. Members noted that the contract had been re-tendered last year and that Arlingclose had been seen as the best advisers for this authority, which had been evidenced by the returns the Council was receiving. The Finance Manager further reported that a representative from Arlingclose would be attending the October meeting of the Committee to update members regarding the performance of the Council's Treasury Portfolio;
- reference was made by the Chairman to the importance of the capital receipt from Right to Buy income and to it being useful to know the number of properties that may potentially be available under Right to Buy in the future.

The Committee indicated that it was content to note the report.

- RESOLVED:**
- (1) that the Treasury Management Activity for the three month period ended 30th June 2011 be noted;
 - (2) that the position of the individual prudential indicators for the three month period ended 30th June 2011 be noted;
 - (3) that the amendment in the allocation of monies through grants/contributions and capital receipts in respect of Prudential Indicator 3 (Capital Financing Requirement) be noted.

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

31. Date of Next Meeting (Agenda item 7)

Members noted that the next scheduled meeting of the Audit Committee would take place on Thursday, 22nd September 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)*

.....
Chairman