

MEETING: AC.08 12:13  
DATE: **28 February 2013**

### 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, 28 February 2013**.

(10.00 a.m. –11.25 a.m)

**Present:**

**Members:**

Derek Yeomans - Chairman  
John Calvert  
John Dyke until 11.15 am  
Tony Lock  
Ian Martin  
Terry Mounter until 11.20am  
John Richardson  
Colin Winder

**Officers:**

Donna Parham	Assistant Director Finance & Corporate Services
Amanda Card	Finance Manager
Karen Gubbins	Principal Accountant - Exchequer
Anne Herridge	Committee Administrator

**Also Present:**

Cllr David Norris	SSDC
Andrew Ellins	South West Audit Partnership - Audit Manager
Mark Swallow	Arlingclose
Simon Garlick	Grant Thornton
Peter Lappin	Grant Thornton

#### 61. Minutes (Agenda item 1)

The minutes of the meeting held on the 22 November 2012, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

#### 62. Apologies for Absence (Agenda item 2)

An apology for absence was received from Cllr Roy Mills.

#### 63. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

**64. Public Question Time (Agenda item 4)**

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

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**65. 2012/13 SWAP Internal Audit Quarter 3 Update Report (Agenda Item 5)**

The Audit Manager presented the report as detailed in full in the agenda; he commented that there were no areas for concern and all key controls continued to be operating effectively. The Main Accounting Audit was still to be completed.

In response to several questions the Audit Manager replied that:

- The issues with Wincanton Community Sports Centre were not unusual for a sports centre but most of the issues previously found had been addressed and reasonable assurance now provided. There was no exposure to high risk;
- Some work due in Quarter 4 will not start until March, it is a little late due to staff sickness and maternity leave;
- Debt management would always be a big risk to councils;
- With reference to Data Security Breaches – there were 17 areas highlighted for improvements but these were to add value and overall the key risks are being managed, and an action plan had been agreed.

With reference to the Debt Management Policy, the Assistant Director Finance & Corporate Services explained that as this was a new Policy it would be hard to measure its success in the first instance, therefore it had been agreed that the audit would not start until later in the year.

The new Welfare Reforms would also be included in the 2013/14 Plan.

Members were content to note the progress made.

**NOTED**

*Lead Officer: Andrew Ellins, Audit Manager*  
*Contact Details: andrew.ellins@southwestaudit.gov.uk*

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**66. 2013/14 SWAP Internal Audit Plan (Agenda Item 6)**

The Audit Manager presented the report that had been prepared in order to provide details of the audits planned for the next financial year.

Due to the recent closure of the Brewhouse Theatre, members wanted to ensure that the Octagon Theatre in Yeovil was thoroughly audited.

The Committee agreed the SWAP Internal Audit Plan 2013/14.

**RESOLVED:**

**That the Internal Audit Plan for April 2013 to March 2014 be agreed by Audit Committee members.**

*Lead Officer: Andrew Ellins, Audit Manager*  
*Contact Details: andrew.ellins@southwestaudit.gov.uk*

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**67. Internal Audit Charter – Annual Review (Agenda Item 7)**

The Audit Manager – SWAP - asked members to note that there were no changes since the Audit Charter was reviewed by the Audit Committee last year, but there were changes planned to be effective from 1 April 2013, mainly due to SWAP becoming a Company Limited by Guarantee.

It was agreed that once these changes were implemented, a report would be presented to members.

It was agreed that reports to approve the Audit Charter and the SWAP Governance changes would be included in the forward plan for June 2013.

**NOTED**

*Lead Officer:* Andrew Ellins, Audit Manager  
*Contact Details:* [andrew.ellins@southwestaudit.gov.uk](mailto:andrew.ellins@southwestaudit.gov.uk)

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**68. Certification of Claims and Returns (Agenda Item 8)**

The Assistant Director – Finance and Corporate Services introduced Peter Lappin and Simon Garlick external auditors from Grant Thornton who presented the report, as detailed in full in the agenda, regarding their findings from signing off claims and returns for 2011/12.

Whilst referring to the Housing and Council Tax scheme they gave an explanation of how the calculations of benefit claims were tested.

In response to members questions Peter Lappin and Simon Garlick explained that:

- If an error was found in checking the first sample of benefit claims, another sample size would be checked, each follow up stage would be more expensive as deeper, more thorough investigation was required whilst using the same methodology;
- There was a scale of fees used, although due to tight timetables, it was hard to cost the total in advance;
- It was preferable to get figures correct before sending any claims to the DWP as any errors found after that could be clawed back at a cost to SSDC.

In conclusion it was highlighted that SSDC had responded positively to all identified significant findings.

**RESOLVED:**

**That the contents of the certification of Claims and Returns 2011/12 be noted by the Audit Committee.**

*Lead Officer:* Donna Parham Assistant Director Finance & Corporate Services  
*Contact Details:* [donna.parham@southsomerset.gov.uk](mailto:donna.parham@southsomerset.gov.uk) or 01935 462225

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## 69. Planned Audit Fee for 2012/13 (Agenda Item 9)

Simon Garlick, Director of Grant Thornton introduced the report as detailed in the agenda; he made reference to the scale and scope of work that Grant Thornton would carry out over the coming year for SSDC, he made particular reference to the 40% reduction of the Council's scale fee for 2012/13.

A separate report on the Value for Money (VFM) conclusion will be presented to Audit Committee members later in the year which will show an assessment of the Council's financial resilience and include a comparison of how well similar councils are doing.

In response to members questions the Finance Manager explained that although the scale fee had been reduced by 40%, the way that the Council operated would not change as the processes in place were good. She explained that although a key member of staff was due to take maternity leave; that job would be covered on a short term basis and there was no cause to worry.

Members were content to note the contents of the Planned Audit Fee Letter 2012/13.

### **RESOLVED:**

**That the contents of the Planned Audit Fee Letter 2012/13 be noted by members of the Audit Committee.**

*Lead Officer:* Donna Parham  
*Contact Details:* [donna.parham@southsomerset.gov.uk](mailto:donna.parham@southsomerset.gov.uk) or 01935 462225

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## 70. Treasury Management Presentation (Agenda Item 10)

Mark Swallow from Arlingclose gave members an economic overview of the current situation by way of a power point presentation.

He referred to several items of interest some of which included:

- Moody's downgrade of the UK;
- Treasury Management in Context;
- Economic and Interest Rate Forecast February 2013;
- Bank of England Quarterly Inflation report February 2013;
- Oil Price YOY(daily);
- CPY YOY(monthly);
- RPT Inflation;
- Mortgage Approvals (monthly);
- UK Savings Ratio;
- Mortgage Equity Withdrawal;
- GFK UK Consumer Confidence.

In response to several members questions Mark Swallow replied that:

- The proposed negative interest rate was to encourage banks to lend some of the substantial amount of cash that each bank holds;
- There was no sign on the horizon of an interest rate rise;
- Figures in the reports referred to February further reports would be produced in March;
- He would find out the amount of UK exports to Italy;
- Inflation was the biggest worry to the consumer and any increase in the cost of oil;

- Underemployment has affected the economy as more are working part-time.

In conclusion, it was felt that SSDC was currently investing safely and wisely with average returns.

*Lead Officer:* Donna Parham Assistant Director Finance & Corporate Services  
*Contact Details:* [donna.parham@southsomerset.gov.uk](mailto:donna.parham@southsomerset.gov.uk) or 01935 462225

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## 71. Treasury Management Strategy Statement and Investment Strategy 2013/14 (Agenda Item 11)

The Principal Accountant presented the report as detailed in the agenda, which asked members to review and recommend to full Council that the Treasury Management Strategy Statement and Investment Strategy 2013/14 be approved.

During the ensuing discussion, a member enquired why maturities greater than 364 days did not exceed 70% of the portfolio. The Committee was told that advice currently being given was to keep investments short. With reference to other investment opportunities the Committee was advised that although there were other investment opportunities they may not necessarily be appropriate bearing in mind that the authority was dealing with public funds. Reference was also made to the Council's practice regarding making ethically based investments and trying to keep to financial institutions. One member felt that there should be more investment flexibility.

The Assistant Director Finance & Corporate Services suggested that members could discuss this matter further as a separate issue later in the year.

Having considered the details contained within the agenda report and the additional information given at the meeting, the Committee indicated that it was content to recommend the approval of the Treasury Management Strategy Statement and Investment Strategy for 2013/14 to full Council.

### **RESOLVED:**

**That Audit Committee recommend the Treasury Management Strategy Statement and Investment Strategy for 2013/14 to full Council.**

*Lead Officer:* Karen Gubbins Principal Accountant - Exchequer  
*Contact Details:* [Karen.gubbins@southsomerset.gov.uk](mailto:Karen.gubbins@southsomerset.gov.uk) or 01935 462456

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## 72. Treasury Management Performance to December 2012 (Agenda 12)

The Principal Accountant 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 2012.

The Committee, having considered the update on treasury management activity was content to note the report.

### **RESOLVED:**

- **That the Treasury Management Activity be noted by the Audit Committee for the nine month period ended 31 December 2012;**

- That the position of the individual prudential indicators be noted by the Audit Committee for the nine month period ended 31 December 2012.

Lead Officer: Karen Gubbins Principal Accountant - Exchequer  
 Contact Details: [Karen.gubbins@southsomerset.gov.uk](mailto:Karen.gubbins@southsomerset.gov.uk) or 01935 462456

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**73. Audit Forward Plan (Agenda Item 13)**

**RESOLVED:** that the proposed Audit Committee Forward Plan be noted.

Lead Officer: Anne Herridge, Committee Administrator  
 Contact Details: [Anne.herridge@southsomerset.gov.uk](mailto:Anne.herridge@southsomerset.gov.uk)

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**74. Date of the Next Meeting (Agenda Item 14)**

Members noted that the next scheduled meeting of the Committee would be held on Thursday, 28 March 2013 at 10.00 a.m. in the Main Committee Room Council Offices, Brympton Way, Yeovil.

**NOTED**

(Anne Herridge, Committee Administrator – 01935-462570)  
 ([anne.herridge@southsomerset.gov.uk](mailto:anne.herridge@southsomerset.gov.uk))

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 Chairman