

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY 1 DECEMBER 2009**

MEMBERS

* Cllr J T Pennington - Chairman

* Cllr P Coulson - Vice-Chairman

* Cllr R F Croad

ø Cllr T J Hewitt

* Cllr R M Lawrence

* Denotes attendance

ø Denotes apology for absence

Also in attendance:

Cllrs M J Hicks and M J Howarth.

Officers in attendance: For All Agenda Items:

Strategic Director (Resources), Internal Audit Manager, Mr J Sedgwick (District Auditor – Audit Commission) Mr S Brown (Audit Manager - Audit Commission), Head of Financial Services, Risk and Health and Safety Advisor and Member Support Officer.

A.22/09 MINUTES

The minutes of the meeting of the Audit Committee held on 8 September 2009 were both confirmed as a correct record and signed by the Chairman.

A.23/09 DECLARATIONS OF INTEREST

Members were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.24/09 AUDIT COMMISSION PROGRESS SUMMARY TO 12 NOVEMBER 2009

The Audit Manager (Audit Commission (AC)) advised the Committee of work currently in progress which included:

- Benefits claim audit – completion due November 2009;
- Determination of objection to the accounts;
- Annual Audit Letter; and
- Initial planning of 2009/10 pre-statements work and liaison with Internal Audit on Key Systems.

A.25/09 ANNUAL GOVERNANCE REPORT – 2008/09

The Audit Manager (AC) informed that he intended to issue an unqualified opinion on the Council's Statement of Accounts and that the Council had adequate arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources.

It was confirmed that there were only three changes to the report from 4 September 2009 none of which were material.

A.26/09

USE OF RESOURCES – 2008/09

The Audit Manager (AC) highlighted that the Use of Resources assessment for 2008/09 represented a significantly harder test than previous assessments and the focus was on 'outcomes'. The new assessment formed part of the Comprehensive Area Assessment (CAA). The report summarised the key findings of how the Council had managed and used its resources to deliver Value for Money and better and sustainable outcomes for local people. Under the new assessment framework the Council performed adequately (level 2) for:

- Sound Financial and Strategic Management;
- Strategic Commissioning and Good Governance; and
- Managing Natural Resources of assets and people.

Good examples of initiatives that had resulted in significant service improvements were the turnaround in the waste collection service and the arrangements for taking services into the community to those who were unable to attend at council offices. The Council had also taken steps to secure improvement in weak areas, such as workforce planning. The overall judgement was that the Council had sound overall arrangements in place which was likely to place them well for this year's assessment.

During the discussion, the following points were raised:

Workforce Planning:

In light of the pressure on budgets, it was asked if it would be irresponsible to seek to increase ratings. In response, the Committee was informed that an aspiration to level 3 score would be worthwhile, as this represented 'outcomes' which demonstrated the authority was focusing on outputs benefiting the residents of South Hams.

The Strategic Director (Resources) expressed disappointment that the Audit Commission was still making their judgement purely on the ability of the Council to demonstrate that systems and processes were in place, rather than the actual outcomes. In response, the Audit Manager (AC) said that whilst an extensive documentation was not expected, it was felt that something as important as workforce planning did require a strategic document, (even if only as short as three pages long). This view was expressed as whilst strategies were often overtaken by events, it was felt that organisations would manage change better if a strategic document was in place.

Key Line of Enquiry 1.1 Financial Planning:**Car Park Charges:**

It was asked if the freezing of car parking charges had actually been a strength as stated in his report. In reply, the committee was informed that it had been a benefit to the residents of South Hams during the recession, it was on balance a strength as it had only been made possible by sound financial management.

Key Line of Enquiry 1.3 Financial Reporting:**Financial and Non Financial Performance Information:**

The Audit Commission recommended that the Authority develop its performance monitoring to review financial and non-financial performance information together in order to identify service improvements as well as achieving budget savings. He stated that currently Torridge District Council was more advanced than most authorities in this respect.

Partnerships:

It was recommended that the Authority identify all significant partnerships and develop a clear and consistent framework for evaluating outcomes and Value for Money (VFM) from partnerships and shared service arrangements. The Audit Commission wanted Authorities to work in partnership so that costs were not increased overall and VFM was maximised. One Stop Shops for example increased VFM without increasing costs. The Strategic Director stated that this was an area for development and the revised Partnership Policy and Guidance on partnership arrangements would enable the Council to assess its partnerships. A report identifying the significant partnerships and providing further information on the remainder would be presented to the Audit Committee in due course. In agreement with this comment, it was **PROPOSED** and **SECONDED** and subsequently declared **CARRIED** that this report should be presented to a future meeting of the Audit Committee.

It was then:

RESOLVED

That a report identifying the significant partnerships and providing further information on the remaining Partnerships be presented to the Audit Committee.

A.27/09

ACCOUNTS AND SYSTEMS AUDIT 2008/09

The Audit Manager (AC) reported that generally the Authority had appropriate systems and controls in place to ensure that materially correct financial statements were produced.

Accounting processes and governance arrangements were sufficiently robust to safeguard the assets of the Authority and support effective production of the financial statements.

With regard to the debtor system controls, he stated that he was satisfied that the revised procedures would be satisfactory. He also acknowledged that a whole panoply covered the debtors system.

A.28/09 **PROTECTING THE PUBLIC PURSE**

The Audit Manager (AC) presented the publication 'Protecting the Public Purse – Local Government Fighting Fraud' (Audit Commission September 2009). Fraud was likely to increase as a result of the recession and the publication contained a number of recommendations for Councils to consider. The areas where fraud could particularly increase were housing and council tax benefit, procurement fraud and misuse of social care direct payments. A Member stated that major fraud nearly always had some internal linkages and that protocols for whistle blowing to enable people to report their suspicions were a key element. The Audit Manager stated that evidence that the Council was being proactive in this regard would be monitored and would be reflected in level 3 status in the Use of Resources ratings.

With regard to the checklist (appendix 1) the Internal Audit Manager informed that this would be completed and presented to the Audit Committee Meeting in April 2010.

A.29/09 **PROGRESS AGAINST THE 2009/10 INTERNAL AUDIT PLAN**

The Internal Audit Manager presented the report which informed Members of the principal findings of the Internal Audit Section for 2009/10 to 31 October 2009

During the discussion, the following points were made:

Tone/TADPOOL:

The Lead Executive Member for Financial Affairs wished to thank the Internal Audit Service for its assistance on what had been a large piece of work and whilst being unable to comment further, did inform Members that matters were being progressed.

West Devon Borough Council:

Members were informed that the 80 days ascribed from the Internal Audit Service to West Devon Borough Council (WDBC) was facilitated by reducing the frequency of audit reports of lower risk areas from 3 years to 5 years. CIPFA guidelines did not specify a time limit for lower risk audits. It was confirmed that WDBC would pay the Council (SHDC) for undertaking this service and was to terminate its current commercial contract with external providers.

Dartmouth Town Council:

Members were informed that despite the increased indemnity insurance premium that had to be passed on to the Town Council, they had informed of their wish for the Council to continue to provide their audit service as it still represented Value for Money when compared with other external providers approached. The Internal Audit Manager proceeded to confirm that this service was currently only provided for Dartmouth Town Council.

In light of the Committee wishing to discuss elements of the exempt appendices, it was:-

RESOLVED

That in accordance with Section 100 (A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of schedule 12A to the Act is involved.

Once all Members were satisfied that they had no further issues to raise on the exempt appendices, it was then:-

RESOLVED

That the public and press be re-admitted.

It was then

RESOLVED

That the Committee note the progress made against the 2009/10 Internal Audit Plan and has commented on the issues arising.

A.30/09

RISK MANAGEMENT QUARTERLY REVIEW

The Risk and Health and Safety Advisor presented a report to Members that provided them with an update on risk management for the period from September 2009. On 8 October 2009, the Executive agreed that a Partnership Policy and Guidance be adopted (Minute E.48/09 refers).

In discussion, concerns were expressed as to whether Partnerships constituted value for money and as to what costs were involved to the Council. The Risk and Health and Safety Advisor informed that all Heads of Service had been contacted with regard to the Partnerships that their services were involved in and a more in depth report would be presented at the next Audit Committee meeting in April 2010.

Those Partnerships which were deemed to be significant in the report would each be evaluated and reviewed annually by the Scrutiny Group in accordance with the adopted Partnership Policy and Guidance.

Nonetheless, the Committee felt that it was vital that the merits of all Partnerships (regardless of whether they were considered to be significant or not) should be investigated by a Scrutiny Task and Finish Group. It was hoped that this Group could investigate whether the benefits of being in these Partnerships were sufficient to warrant the resources and investment which were allocated by the Council.

It was then:-

RESOLVED

That the Committee has considered and commented upon the progress made on risk management.

It was then:-

RESOLVED

That the merits of establishing a Scrutiny Task and Finish Group to investigate the Council's involvement in all its Partnerships (e.g. whether they be statutory or voluntary and assessing their Value for Money implications with regard to costs and resources) be explored.

(Meeting commenced at 10.00am and concluded at 11.30am)

Chairman