

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON 29 JUNE 2010**

**MEMBERS**

\* Cllr J T Pennington - Chairman

\* Cllr P Coulson - Vice-Chairman

\* Cllr B F Cane

\* Cllr M Hannaford

\* Cllr R F Croad

\* Denotes attendance

**Officers in attendance:**

For all agenda items – Strategic Director (Resources), Head of Financial Services, Internal Audit Manager, Chief Accountant and Member Support Services Manager

**Also in attendance:**

Cllrs R D Gilbert and M J Hicks

A.11/10 **MINUTES**

The minutes of the meeting of the Audit Committee held on 15 June 2010 were confirmed as a correct record and signed by the Chairman.

A.12/10 **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.13/10 **STATEMENT OF ACCOUNTS 2009/10**

A report was considered which presented a summary of net revenue and capital expenditure and which sought approval of the Statement of Accounts for 2009/10.

The report highlighted the number of budget pressures which had been faced by the Council. Nonetheless, the overall spend of the Council was in line with the original budget. It was noted that the Council continued to provide value for money to its residents, as demonstrated by the fact that it had the third lowest Council Tax in Devon. Overall, the report informed that the financial position of the Council remained strong and sustainable and it was well placed to meet the challenges of the future.

In discussion, reference was made to:-

- (a) the surplus on the General Fund in 2009/10, which amounted to £23,000. It was noted that in the context of the Council gross turnover being £53 million, this could be considered to be a break-even position. In light of this achievement, the Committee wished to extend its gratitude to the Financial Services team;
- (b) International Financial Reporting Standards (IFRS). It was intended that this statutory requirement would come into effect for 2010/11 financial year. As a consequence, it was a requirement that the accounts for 2009/10 be re-stated on an IFRS basis. This would not only place an additional burden on Financial Services officers, but also an additional cost to the Council, as the accounts would have to be reviewed again by the External Auditors. The Committee expressed its concerns at this process and hoped that authorities could work in partnership to minimise the impact as far as was reasonably possible;
- (c) the Concessionary Bus Fares underspend. It was confirmed that the main reason for this underspend was the extreme winter weather which had consequently reduced demand for bus travel. However, it was feared that any loss of formula grant from central government for 2011/12 could have a significant impact on the cost of the Concessionary Scheme;
- (d) the number of variations in the accounts being due to the volatility of the economy;
- (e) an update in relation to the Heritable Bank. Members were informed that the administrators had advised that the Council would receive at least 85% of the £1.25 million deposited in the Heritable Bank. It was noted that the administrators were running the bank as a going concern and Members reiterated their hope that the Council would still receive more of its original deposit;
- (f) pension contributions. When questioned, it was confirmed that employee pension contributions currently ranged from 5.5% to 7.5% of total salary, with employer contributions standing at 11%;
- (g) net expenditure arising from Non Distributed Costs. It was noted that examples of such expenditure included costs arising from redundancies and retirement;
- (h) the Balance Sheet. The Committee was assured that since Central Government subsidy was allocated on a slightly different financial year, the payment received in relation to Housing Benefits would correct itself on the 2010/11 Balance Sheet;

- (i) the Employment Estates Trading Operation. Members commented that despite the current economic climate, the accounts in relation to the letting of employment sites remained commendable;
- (j) IT hardware and software. A Member questioned the level of increase in this capital expenditure, which amounted to a 378% rise in comparison to 2008/09. In reply, officers advised that they would provide Members with a breakdown of the expenditure figures after the meeting;
- (k) Renovation Grants. A Member had been advised that some such grants were not means tested. In acknowledging that some grants (e.g. the Disabled Facilities Grant) were means tested, the Committee requested a breakdown of each of the grants which made up this budget. In agreeing to this request, it was also noted that the Head of Environmental Health was willing to attend the next Committee meeting in September 2010 to discuss this matter;
- (l) the Municipal Mutual Insurance (MMI) Ltd. Officers confirmed that MMI was referred to in the presented report due to potential claims arising from asbestos related illnesses. Whilst it was felt prudent to highlight this issue in the Statement of Accounts, it was hoped that any losses from claims would be covered by the monies set aside;
- (m) the Equal Pay Review. Officers were confident that the risk was low and to date, no equal pay claims had been submitted. Nonetheless, it was possible that such claims could be received by the Council;
- (n) Section 106 Receipts. Due to accounting regulations, it was a requirement for the revenue and capital Section 106 receipts to be shown in separate accounts on the Balance Sheet;
- (o) an investment risk review. The Committee was advised that a review had recently been undertaken by external advisors and the Council was found to be dealing with its investments properly;
- (p) the percentage of Council Tax collected. When informed that the Council had the highest percentage of Council Tax collected in the South West, Members wished to congratulate officers on this achievement.

It was then:

**RESOLVED**

1. That the Statement of Accounts for the financial year ended 31 March 2010 be formally approved; and
2. That following this approval, the Chairman of the Audit Committee be requested to sign and date the accounts.

A.14/10 **ANNUAL TREASURY MANAGEMENT REPORT 2009/10**

A report was considered which informed of the results and performance of the Treasury Management activity undertaken in 2009/10.

In discussion, the following points were raised:-

- (a) Officers advised that the Council had recently withdrawn its investments from the Santander Bank. In accordance with the risk averse financial strategy, this decision had been taken due to the current economic situation in Spain;
- (b) In respect of money laundering, it was stated that the Council had now adopted an Anti Money Laundering Policy. If a member of staff became suspicious of potential money laundering attempts, then the Council's process required them to make a report to the Council's Money Laundering Reporting Officer.

It was then:

**RESOLVED**

That the Treasury Management activity for 2009/10 be noted.

A.15/10 **SYSTEM OF INTERNAL CONTROL AND ANNUAL GOVERNANCE STATEMENT 2009/10 FOR SOUTH HAMS DISTRICT COUNCIL**

The Committee considered a report which sought to provide it with sufficient information to allow for independent examination of the draft Annual Governance Statement and the supporting process and evidence.

In discussion, reference was made to the considerable importance of identifying risks in relation to the key partnerships entered into by the Council. The process of risk identification was ongoing with risks being included on the Risk Register. The Committee was assured that progress was being made on this issue.

It was then:

**RECOMMENDED**

That the draft Annual Governance Statement for 2009/10 and supporting evidence has been considered and Council be **RECOMMENDED** to approve the Statement.

(Meeting commenced at 2.00pm and concluded at 3.25pm).

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Chairman