

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY, 8 APRIL 2008**

**MEMBERS**

\* Cllr M J Howarth - Chairman

ø Cllr R F Croad - Vice-Chairman

\* Cllr P Coulson

ø Cllr R Rowe

\* Cllr G Date

\* Denotes attendance

ø Denotes apologies for absence

Also in attendance and participating:  
Cllr D W May

Officers in attendance:

For all Agenda Items: Strategic Director (Resources), Head of Financial Services,  
Senior Auditor and Risk & Health & Safety Advisor;

Items 5 and 6 (minutes A.29/07 and A.30/07 below refer): Craig Sullivan  
(PriceWaterhouseCoopers), Steve Brown (Audit Commission), Kathryn Rees (Audit  
Commission) and Head of Improvement;

Item 7 (minute A.31/07 below refers): Head of Landscape & Leisure, Leisure &  
Recreation Officer and Robert Warner (Tone Leisure).

**A.26/07      MINUTES**

The minutes of the meeting of the Audit Committee held on 11 December 2007 were confirmed as a correct record and signed by the Chairman, subject to it being recorded under minute A.24/07 that:

*'Members expressed concern that a small number of Service Heads had not completed a 2007/08 Service Plan as this was a key element of the Statement of Internal Control. The Chairman offered the services of the Audit Committee to assist in chasing managers for responses to audit recommendation'.*

**A.27/07      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.28/07 CHAIRMAN'S ANNOUNCEMENT**

The Chairman advised that he intended for Item 5: 'CPA Use of Resources – Assessment Results' and Item 6: 'Annual Audit and Inspection Letter' (Minutes A.29/07 and A.30/07) to be considered jointly.

**A.29/07 CPA USE OF RESOURCES – ASSESSMENT RESULTS and  
A.30/07 ANNUAL AUDIT AND INSPECTION LETTER**

The Audit Committee considered a report which presented the summary results produced by the Council's External Auditor, PricewaterhouseCoopers (PWC) LLP of the Council's use of resources, which had been completed in accordance with the methodology and guidance issued by the Audit Commission.

In presenting his findings, Craig Sullivan (Manager – PWC LLP) wished to thank the Council for its positive and constructive approach to its audit and inspection. Craig also wished to express his appreciation for the Council's assistance and cooperation over the last five years for which PWC had been the Council's External Auditor.

A report was also presented by Catherine Rees (Audit Commission) which provided an overall summary of the Audit Commission's assessment of the Council.

The report included the following key messages:

- In 2006/07, the auditor issued an unqualified audit opinion on the financial statements and conclusion on value for money arrangements to secure economy, efficiency and effectiveness in the use of resources;
- The Council had maintained its score of three for use of resources and had improved several elements within this;
- The Council had succeeded in achieving a range of improvements in all of its priority areas;
- The Council had been innovative in working closely with other councils and this was delivering benefits in the form of increased access to skills and cost savings; and
- Against a backdrop of excellent performance overall, comparative challenges existed in the areas of affordable housing, length of stays for the homeless in bed and breakfast accommodation and housing benefits.

In discussion on these two reports, particular reference was made to:-

- (a) the perceived importance of obtaining the top score of '4'.  
Members were advised that the Council should not be concerned solely with 'score chasing' but should consider it in conjunction with whether or not an improved score would represent added benefit or value for money to the authority and its residents. In addition, the auditors also highlighted the need for annual progression to continue to obtain a score of '3'. To set the performance of the Council in context, the Committee was also informed that approximately only 5% of district councils had obtained a score of '4' nationwide;
- (b) the production of an annual summary report. Members were informed that to gain a top score of '4', the annual report was required to be a stand-alone document, as opposed to the current Council practice of including it within the 'South Hams Matters' publication. Some Members felt that such a production would not constitute value for money and officers advised that this view was echoed during the budget consultation evening with town and parish council representatives. In response, the Auditors acknowledged that the Council would have to decide whether or not production of a stand-alone document would be cost-effective;
- (c) issues to focus upon to further improve performance. In many cases, Members were advised that focus should be given to innovation and best practice to strive towards obtaining a score of '4'. As a consequence, Members requested receipt of copies of the notes of the World Class Financial Management document for their reference;
- (d) the budget setting process. It was considered by the Auditors that the effectiveness of the budget setting process was enhanced by Members taking a strategic management role and giving emphasis to the Council's Corporate Priorities. It was anticipated that the opportunity for greater Member involvement could be identified during the lean reviews which the Council was currently undertaking;
- (e) the score of '2' for the way in which the Council managed and improved value for money. It was noted that the main reason for this rating was attributed to procurement. However, it was anticipated that this score would now increase as a result of the Council successfully recruiting a shared procurement officer with Teignbridge District Council;
- (f) the value for money overview. A Member felt that reference should have been included in this overview to the Tone Leisure contract, which it was considered represented excellent value for money and warranted inclusion.

**RESOLVED**

That the Committee:-

1. wishes for its gratitude to PriceWaterhouseCoopers and the Audit Commission to be noted;
2. acknowledges the good overall scoring performance of the Council and wishes to congratulate staff accordingly; and
3. requests a copy of the World Class Financial Management document to help strive to improve performance further.

A.31/07

**MONITORING REPORT – LEISURE CENTRES, SPORT AND HEALTHY LIFESTYLES CONTRACT**

Consideration was given a report which highlighted the overall performance and current key issues of the leisure centre management arrangements with Tone Leisure.

During discussion, particular reference was made to:-

- a) the recent Quest assessment at Quayside Leisure Centre. The Committee commended the achievement whereby the Centre had improved its previous high score of 73%, to an impressive score of between 75-77%. This score had placed the Centre in the 'highly commended category' and it was felt was also an endorsement of the leisure contract with Tone Leisure. To reflect this, Members requested that a joint press release be issued to mark this achievement;
- b) Tadpool's attitude to the Quest accreditation. A Member expressed his disappointment that Tadpool remained resistant to the Quest accreditation scheme. In particular, the Member felt that the scheme would provide staff with the recognition which they deserved;
- c) the updated financial and reporting information with Tadpool. It was apparent that there was a misunderstanding between Tadpool and Tone representatives with regard to the quality of the financial and reporting information which it received. As a consequence, the Committee requested that further investigations take place to address this issue;

- d) Dartmouth Leisure Centre (DLC). It was noted that DLC was the one centre where anticipated growth had been significantly lower than had been predicted in the Business Plan. To overcome this trend, Tone were giving specific focus to the outreach area, investigating why membership numbers were relatively low and were looking at their marketing strategy. In hindsight, the Tone representative stated that the projections for DLC may have been overly ambitious. Furthermore, Members made reference to the site being on the edge of Dartmouth, as opposed to the more centrally located sites at Kingsbridge, Ivybridge and Totnes, where footfall was comparatively higher;
- e) the overriding success of the Leisure Youth Nights. To reinforce this point, the lead Executive Member made reference to the positive feedback he had received from the Youth Service.

### **RESOLVED**

1. That the content of the Leisure Contract Monitoring Report be noted;
2. That congratulations be extended to both Tone and Quayside Leisure Centre for the achievement of the improved Quest scheme accreditation; and
3. That officers investigate further with Tadpool the apparent misunderstanding regarding the financial and reporting information it received.

A.32/07

### **INTERNAL AUDIT – ANNUAL INTERNAL AUDIT PLAN 2008/2009**

A report was considered which sought to provide Members with the opportunity to review and comment upon the audit plan and computer audit plan for 2008/09.

During discussion, reference was made to:-

- a) the review on the management of change in the waste collection (Minute A.13/07 refers). Officers confirmed that this review request would be incorporated within the 20 days already allocated to the service and would not be explicitly referred to in the Plan;
- b) contingency plan. It was noted that officers had a 55 day contingency plan, which was a reactive reserve and was available at the request of managers and Members. As a further contingency, the Strategic Director (Resources) had been granted delegated authority, in correspondence with the Leader and Chairman of the Audit Committee, to allocate any additional monies for unforeseen circumstances;

- c) a Member expressing his concern regarding the comment in the presented report that a shared internal audit service would cost more than the existing arrangement. In response, Officers made reference to the existing staffing structures in both organisations and it being unlikely that cost efficiencies would be achieved within a shared service. It was noted that the Business Plan was progressing and an update report was scheduled to be presented to the Joint Shared Services Steering Group at its next meeting on 11 April 2008.

**RESOLVED**

That the Audit Committee has reviewed and commented upon (as detailed above) the audit plan and computer audit programme for 2008/09.

A.33/07

**PROGRESS AGAINST THE 2007/2008 INTERNAL AUDIT PLAN**

Members considered a report which informed them of the progress made to February 2008 by the Council's Internal Audit section against the 2007/08 annual audit plan, which was reviewed by Members in April 2007 (by the Scrutiny Group (SC.70/07 refers)) and June 2007 (By the Audit Committee (A.07/07 refers)).

During discussion, the following points were raised:-

- (a) Officers gave assurances that the areas in the presented report where progress was noted as suspended would be undertaken either through re-prioritisation or being covered through other work areas;
- (b) As the Committee wished to discuss elements of the exempt appendix, 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 7 of Schedule 12A to the Act is involved.

- (c) With regard to the Debtors system, Members requested a 6-month update report on the implementation of internal audit recommendations at 9 September 2008 meeting.

It was then:-

**RESOLVED**

That the public and press be re-admitted.

It was then:-

**RESOLVED**

That the Audit Committee has considered the progress made against the 2007/08 Internal Audit Plan and requests an update report on the Debtors system at its 9 September 2008 meeting.

**A.34/07 INTERNAL AUDIT STRATEGY 2008/09**

A report was considered which sought to allow the Audit Committee to review the Internal Audit Strategy 2008/09. The report also sought Members' approval for the documents, as required by the CIPFA 'Code of Practice for Internal Audit in Local Government' (2006).

In discussion, the following points were raised:-

- (a) The Committee welcomed the inclusion of the new Performance Indicators which it had requested;
- (b) In stressing the importance of networking with colleagues within other organisations, Members suggested that some joint Internal Audit Staff Training Events could be arranged with Teignbridge District Council.

**RESOLVED**

That following this review, the Internal Audit Strategy 2008/09 be approved.

**A.35/07 ANTI-FRAUD AND CORRUPTION STRATEGY; FRAUD AND CORRUPTION RESPONSE PLAN AND BENEFIT FRAUD PROSECUTION AND SANCTION POLICY**

Consideration was given to a report which sought Members' approval for a revised Anti-Fraud and Corruption Strategy.

During discussion, reference was made to:-

- (a) the belief that certain elements of the Strategy should be strengthened. In highlighting the responsibility to the Council Taxpayer, Members felt that areas including Communication, Counter Fraud Culture and Publicity and Training of the Strategy should be strengthened before adoption. Furthermore, Members highlighted typographical errors which they felt required addressing. As adoption was ultimately a Council decision, the Chairman encouraged Members to contact the Internal Audit Manager with their suggested amendments for incorporation sufficiently in advance of the Council meeting on 8 May 2008;
- (b) the penultimate paragraph on page 103 of the presented report, relating to the Housing and Council Tax Benefit Fraud Prosecution and Sanction Policy. To ensure greater clarity and that the policy was explicit, the Committee requested that the paragraph, as presented, be re-drafted.

### **RECOMMENDED**

That subject to incorporation of the comments and suggested amendments of the Committee, Council be **RECOMMENDED** to adopt the Anti-Fraud and Corruption Strategy, Fraud and Corruption Response Plan and Benefit Fraud Prosecution and Sanction Policy.

## A.36/07 **RISK MANAGEMENT – QUARTERLY REVIEW**

A report was considered that provided an update on risk management activities.

During discussion, reference was made to:-

- a) the potential for joined-up Risk Management training for those Members who were both County and District Members;
- b) the risk assessments in Committee reports. Members welcomed the use of alternative and more user friendly risk assessments. It was also suggested that there should be flexibility in the detail and content of risk assessments, which should depend upon the perceived level of risk;
- c) the leisure contract. It was noted that there was a need for officers and representatives from Tone Leisure to meet and review the risks associated with the leisure contract from a Tone Leisure perspective. Officers agreed to keep the Committee informed on this matter;
- d) the Business Continuity Plan. Members wished for their concern at the slow progress, and the need for a swift completion of the Plan, to be noted;

- e) the generator. The Committee considered it to be unwise to delay implementation of a generator until after the Boundary Commission report had been published. Members felt that regardless of the outcome of the Local Government Review, staff would remain working on this site. In accepting that a final report was still to be completed, the Committee reiterated its belief that this matter should not be further delayed;
- f) the risk register. Members requested that for future Committee meetings, a specific part of the Risk Register be presented for consideration. The Committee considered this to be beneficial to both highlight specific issues in-depth and also to help raise the profile of Risk Management throughout the organisation. As a consequence, Members requested that they be presented with the first half of the Operational Risk Register for their consideration at the next Audit Committee meeting.

**RESOLVED**

That progress made on risk management be noted.

(Meeting commenced at 10.00 am and concluded at 12.45 pm)

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Chairman