

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY 8 SEPTEMBER 2009**

**MEMBERS**

\* Cllr J T Pennington - Chairman

\* Cllr P Coulson - Vice-Chairman

\* Cllr R F Croad

∅ Cllr T Hewitt

∅ Cllr G Date

\* Denotes attendance

∅ Denotes apology for absence

**Also in attendance:**

Cllr M J Hicks and Cllr T Hockin (Teignbridge District Council)

**Officers in attendance: For All Agenda Items:**

Strategic Director (Resources), Internal Audit Manager, Mr L Budge (District Auditor – Audit Commission) Mr S Brown (Audit Manager - Audit Commission), Member Support Officer, Risk and Health and Safety Advisor and Communications Manager;

**Officers in Attendance: For individual Items:**

Item 5, 6 & 7: (minute A.14/09, A.15/09 & A.16/09 below refers) Mr J Sedgwick (Principle Auditor – Audit Commission) and Head of Financial Services

Item 8: (minute A.17/09 below refers) Head of Corporate Services

Item 13: (minute A.21/09 below refers) Harbour Master

**A.12/09 MINUTES**

The minutes of the meetings of the Audit Committee held on 23 June 2009 were both confirmed as a correct record and signed by the Chairman.

**A.13/09 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.14/09 AUDIT COMMISSION PROGRESS SUMMARY TO 29 AUGUST 2009**

Mr Sedgwick advised the Committee of work currently in progress which was:

- Interim (Control Environment and Systems) audit 08/09;
- Use of Resources; and 2009
- Data Quality spot checks

A Member asked for further clarification regarding the review of regulations, practices and procedures governing severance payments to senior Council staff and their subsequent re-employment in other local authorities. The District Auditor replied that the review of the regulations was in response to the recent backlash on MP's expenses. The review is to consider both the legality of severance payments and the associated value for money of the payments. The Strategic Director (Resources) informed that this review related to significant severance payments to terminate contracts rather than redundancy settlements. The Internal Audit Manager also noted that in terms of officers within South Hams District Council, early retirement was usually only negotiated as a result of sickness or efficiency savings.

#### A.15/09 **SUPPLEMENTARY OPINION AUDIT PLAN**

As required by professional auditing standards, the Audit Commission specified the detailed risks that were to form their opinion work. These were to be:

- Fixed asset valuation and impairment;
- Icelandic bank investment;
- Contingent liability – Single Status;
- Contingent liability – Sherford;
- Aged Debts; and
- Economic Climate – Risks specifically arising from the economic downturn.

On the basis of the detailed risks listed, the District Auditor stated that the original estimated fee was still appropriate and that it was not envisaged that there would be any requirement for a readjustment.

#### A.16/09 **ANNUAL GOVERNANCE REPORT 2008/09**

The District Auditor informed the Committee that this was an important report. The purpose was to assess whether the Council had in place adequate arrangements to deliver value for money efficiencies. Currently, it was the opinion of the Audit Commission that the Council did have adequate arrangements subject to the satisfactory completion of outstanding procedures. The main conclusion in the report related to the variance between the estimated and actual value of the pension fund assets of £0.416m (although this was outside the control of the Council). Whilst obliged to report this, the Audit Commission was mindful that the variance was not considered significant enough to require action.

The District Auditor did highlight that he had received an objection to the accounts regarding the Council's spending on publicity. He informed the Committee that he would be meeting with the objector in the near future and would also be contacting the Commission's solicitor in order to seek advice as to whether there was a case to be heard. He advised that he would update the Council on the outcome of those meetings. The Local Government Public Code set out what could and could not be regarded as legitimate expenditure and the objection would be considered in terms of the lawfulness of the expenditure set against the Code. As a result the Audit Commission will not be able to issue their Certificate until the matter is satisfactorily concluded, but it will not stop them providing the Opinion on the accounts.

#### A.17/09 **LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW 2008/09**

The Head of Corporate Services presented the review and informed that the Local Government Ombudsman (LGO) had progressed from sending an Annual Letter to an Annual Review which included a summary of the complaints against the Council that had been dealt with by them.

During the year 2008/09, the LGO had received 14 complaints, this was a reduction in the number of cases for 2007/08 when 26 complaints had been handled. Of all the complaints investigated no findings of maladministration had been found against the Council.

The Officer was particularly pleased to report that the Council had made significant improvements in reducing the time taken to respond to complaints which now was within the 28 day response time as requested by the LGO.

It was then

#### **RESOLVED**

That the Committee note the Ombudsman's findings and the progress made by the Council to improve its response times.

#### A.18/09 **UPDATE ON THE COMPLIANCE REVIEW OF THE CODE OF CORPORATE GOVERNANCE**

The Internal Audit Manager presented a report which informed Members of the progress being made on the issues identified by the compliance review of the 2008 Code of Corporate Governance reported at the April 2009 Joint Audit and Standards Committees (minutes A.39/08 & S.33/08 refers).

The progress made on gaps reported for principles 2, 3 and 5 were discussed.

It was also asked why there had been a review of the Members Code of Conduct. In response the Monitoring Officer advised that the Code had been reviewed post 2007 to allow Members some basic citizenship rights e.g. in respect of being able to participate during Development Control Committee meetings.

It was then

**RESOLVED**

That the Committee note the progress made against the action plan produced by the Compliance Review of Council's Code of Corporate Governance 2008 reported to Members at the April 2009 Committee.

A.19/09 **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 of Financial Services for 2009/10 to 31 July 2009. The Audit Plan was continually reviewed to reflect emerging risks which were incorporated in to the plan as either contingency days or changes to the plan. Though no amendments had been made, the scope of the Leisure Client audit 2009/10 had been extended by 16 days at present but could be as many as 20 days plus to include the arrangements for service provision and division of income and expenditure between the Council, Tone Leisure and Tadpool at Totnes Pavilion.

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.

A20/09

**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 June 2009. He informed those present that the Council was still awaiting a report from the Audit Commission following the Council's first assessment under Comprehensive Area Assessment undertaken at the end of March 2009. With regard to the Business Continuity Plan, a joint business continuity test with West Devon Borough Council (WDBC) was to be undertaken using the resources of the Council's insurers Zurich. The test was to ascertain the fitness of the cascade systems to call out management.

During the discussion, the following points were made:

- a) It was asked what time frame was likely for an emergency generator to be delivered, installed and operating in the event of a power failure. In reply, the Officer advised that it should be approximately 4 hours but there was some debate as to whether this in reality would be nearer 6 hours, particularly if other neighbouring front line services such as nursing homes and hospitals took priority. The ICT mainframes had their own emergency power backups which would keep the systems running for a short period in order to shut down systems safely. Back up files which were kept off site could be run at both WDBC and Teignbridge District Council (TDC);
- b) A Member asked for an update regarding the data links between the Council, TDC and WDBC. In reply, the Officer informed that currently the link with WDBC was being prioritised because of the imminence of the Revenues and Benefits shared service project. He also advised that WDBC was able to divert its calls to SHDC should their telephone system become overloaded.

It was then

**RESOLVED**

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

A.21/09 **SALCOME HARBOUR – VERBAL UPDATE**

In light of the Committee wishing to discuss matters of a confidential nature 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 Part 1 of Schedule 12A to the Act is involved.

Once all Members were content that they had no further issues to raise during the exempt sessions it was then:-

**RESOLVED**

That the public and press be re-admitted.

In light of the concerns raised as a result of the oral update that the Harbour Master had provided regarding risk management issues at the Creek Boat Park, Members specifically requested that a report be presented to a future meeting of Prosperity Policy Development Group and that the Audit Committee monitor progress regarding a resolution to the issues raised.

(Meeting commenced at 10.00am and concluded at 12.10pm)

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Chairman