

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY, 9 SEPTEMBER 2008**

**MEMBERS**

\* Cllr M J Howarth - Chairman

\* Cllr J T Pennington - Vice-Chairman

\* Cllr P Coulson

\* Cllr G Date

\* Cllr R F Croad

\* Denotes attendance

Also in attendance and participating:

Cllr M J Hicks

Officers in attendance:

For All Agenda Items: Strategic Director (Resources), Internal Audit Manager, Audit Manager (Teignbridge District Council)

Steve Brown (Audit Manager – Audit Commission), Lee Budge (District Auditor – Audit Commission) and Stuart Holmes (Principal Auditor – Audit Commission).

Items 10 and 11 (minutes A.15/08 and A.16/08 below refer): Risk & Health & Safety Advisor

**A.8/08 MINUTES**

The minutes of the meeting of the Audit Committee held on 10 June 2008 were confirmed as a correct record and signed by the Chairman.

**A.9/08 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.10/08 REVIEW OF INTERNAL AUDIT**

Members considered a report which the Audit Commission had produced following its review of the Council's Internal Audit function against the CIPFA Code of Practice for Internal Audit in Local Government. The review found that South Hams' Internal Audit complied with the CIPFA Code of Practice for Internal Audit in all significant respects, concluding that Internal Audit was effective as a management control. A small number of recommendations to further strengthen the Internal Audit framework had been made, as set out in appendix 1 to the presented report.

**RESOLVED**

That:-

1. the report be noted; and
2. the Committee extends its thanks and gratitude for the excellent work undertaken by the Internal Audit team.

A.11/08 **THE ANNUAL GOVERNANCE REPORT**

The Audit Committee considered a report which had been produced by the Audit Commission which summarised the findings of their 2007/08. The Council's financial statements and Annual Governance Statement were an important means by which the Council accounted for its stewardship of public funds. It was therefore important that Members considered the findings of the Audit Commission prior to adopting the financial statement and Annual Governance Statement.

Auditing standards required the following to be reported to Members:-

- the draft representation letter which sought Members approval to be signed off;
- views regarding the Council's accounting practices and financial reports;
- errors in the financial statements;
- any expected modification to the report;
- weaknesses in internal control; and
- certain other matters.

The Audit Commission wished to extend its thanks to the Council's Financial Services team who had been more than accommodating during this process.

**RESOLVED**

That:-

1. the Committee extends its thanks and gratitude for the excellent work undertaken by Financial Services;
2. that the draft representation letter be approved; and
3. the amended financial statement be approved.

**A.12/08 REVIEW OF CONTROL ENVIRONMENT AND MATERIAL SYSTEMS**

Consideration was given a report which had been produced by the Audit Commission which set out the results from their interim audit work at the Council. The objective of the review was to assess the risk of material misstatement from the information systems in place at the Council. The report covered the following areas:-

- the audit approach taken by the Commission to ensure compliance with the International Standards on Auditing;
- identification of issues which arose from the review of the control environment operated by the Council; and
- identification of issues which arose from the review of the core financial systems.

During discussion, specific reference was made to:-

- (a) the analysis of aged debt. Members were informed that approximately two-thirds of the Council's owed debt was due to Housing Benefit overpayments. It was noted that this was due to people's circumstances changing and subsequently not informing the Council straight away, and subsequently it was difficult to reclaim benefits back from those who were short of money. However, sundry debt collection systems were being reviewed under the Lean Review process;
- (b) a breakdown of those who owed the Council money. Following a question, it was confirmed that it was possible to produce a breakdown of debtors;
- (c) confirmation that a Citizen's Advice Officer worked with the Council to offer advice to members of the public, who were concerned about their benefit claims.

**RESOLVED**

That:-

1. the report be noted; and
2. the Committee extends its thanks and gratitude for the work undertaken by the Audit Commission.

**A.13/08 DEBTORS SYSTEM AND COUNCIL TAX – ORAL UPDATE**

The Head of Customer Services was in attendance to update Members on the debtors system and to answer any questions which Members had with regard to Council Tax.

During discussion on these issues, specific reference was made to the following:-

- a) Members were reminded that it was the Council's intention to transfer the Sundry Debtors System to Financial Services. This was yet to be implemented due to lack of resources but was anticipated to be finalised by the end of March 2009 for the beginning of the new financial year;
- b) It was noted that a Lean Review was currently being undertaken, specifically around the issues of housing benefit overpayment. Recommendations arising from the review would be addressed by officers. An example of a proposal was for the Council to purchase a module for the Housing Benefits System, which would enable benefits officers to take control on collecting related debts owed to the Council.

Members requested that a report be presented to the Committee outlining an action plan of the outcomes and recommendations from the Lean Review of sundry debt collection;

- c) The importance of the Council adopting a Debt Management Policy was noted, which would set out the general principles required for debt collecting;
- d) A Member raised concern with the system for the public to claim single person occupancy for a reduced Council Tax fee, feeling that it was open to abuse. In response, officers advised that there was a criteria for evidencing such phone calls and assurance were given that it was secure and robust.

**RESOLVED**

That a report be presented to the Committee in due course outlining an action plan of the outcomes and recommendations from the Lean Review of sundry debt collection.

**A.14/08 INTERNAL AUDIT SHARED SERVICE - UPDATE**

Consideration was given to a report which informed the Audit Committee of the decision of the Shared Services Joint Steering Group for the sharing of Internal Audit services and the progress made against the agreed action plan to 31 July 2008. Furthermore, the report also sought mutual assurance of the high priority areas of the audit plans in times of crisis.

The report concluded in stating that the Shared Service Joint Steering Group accepted that there were no significant savings to be made although shared working would provide opportunities for efficiency savings, and therefore they supported the business case and accepted the preferred option of extending and formalising the existing collaboration.

During discussion, Members were assured that in the event of utilising the mutual assurance initiative, it would only be 'high priority' work and only following the specific approval of the Audit Committee Chairman at a time when the situation arose and all relevant facts were available.

It was then:-

**RESOLVED**

That:-

- i. the decision of the Shared Services Joint Steering Group for the sharing of the Internal Audit services and the progress made against the agreed action plan to 31 July 2008 be noted; and
- ii. the mutual assurance of the high priority areas of the South Hams District Council and Teignbridge District Council audit plan, subject to specific approval of the Chairman being obtained should the need arise be accepted in principle.

**A.15/08 PROGRESS AGAINST THE 2008/09 INTERNAL AUDIT PLAN**

A report was considered which informed Members of the principal activities and findings of the Internal Audit section of Financial Services for 2008/09 to 31 July 2008. The report provided a summary of the main issues arising from completed individual audits and also demonstrated the progress made by the section against the 2008/09 annual audit plan.

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 7 of Schedule 12A to the Act is involved.

In discussion on the exempt appendices, following concern Members requested that an update be presented to the Committee in relation to the management of Dartmouth Embankment, the ticketing machines used by the Dartmouth Lower Ferry and Salcombe Harbour Creek Boat Park.

It was then:-

**RESOLVED**

That the public and press be re-admitted.

It was then:-

**RESOLVED**

That:-

1. the Committee extends its thanks and gratitude for the excellent work undertaken by the Internal Audit team;
2. the Audit Committee be updated on the issues surrounding the Dartmouth Embankment, the Dartmouth Lower Ferry and the Salcombe Harbour Creek Boat Park at its next meeting of 2 December 2008.

A.16/08

**RISK MANAGEMENT – QUARTERLY REVIEW**

A report was considered that provided an update on risk management activities. It was noted that the Council's risk management systems were developing satisfactorily. There was a need to ensure that not only did we continue to improve our systems and performance, but also engage with partner authorities in aligning systems.

During discussion on the Business Continuity Plan Members were reminded that at a recent meeting of the Executive (minute E.44/08 refers), Members resolved that the Council would rely on Western Power to supply a generator in the event it was required. It was extremely unlikely that there would be a sustained power outage at Follaton House and if a Civil Emergency happened to coincide at the

same time as a power outage then, alternative arrangements were already in place through the Council's Business Continuity Plan to relocate to an alternative site. Following a query in relation to this, it was noted that Western Power could be on site within three hours. However, Members felt that a further update would be beneficial confirming details of the arrangement.

**RESOLVED**

That:-

1. the progress made on risk management be noted; and
2. an update be provided outlining the arrangements with Western Power.

(Meeting commenced at 10.00am and concluded at 1.00pm)

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Chairman