

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY, 11 SEPTEMBER 2007**

MEMBERS

* Cllr M J Howarth - Chairman

* Cllr R F Croad - Vice-Chairman

* Cllr P Coulson

* Cllr R Rowe

* Cllr G Date

* Denotes attendance

Also in attendance and participating:
Cllrs J T Pennington and R J Tucker

Officers in attendance:

For all agenda items: Strategic Director (Resources), Internal Audit Manager and
Risk & Health & Safety Advisor;

Item 5 (minute A.12/07 below refers): Craig Sullivan (Manager –
PriceWaterhouseCoopers LLP);

Item 9 (minute A.16/07 below refers): Leisure & Recreation Officer and Juliet
Dickinson (Tone Leisure).

A.10/07 MINUTES

The minutes of the meeting of the Audit Committee held on 26 June 2007 were confirmed as a correct record and signed by the Chairman.

A.11/07 DECLARATIONS OF INTEREST

Members were invited to declare any interests in the items of business to be considered during the course of the meeting. These were recorded as follows:-

Cllr G Date declared a personal interest in item 9: Monitoring Report – Leisure Centres, Sport and Healthy Lifestyles (minute A.16/07 refers) by virtue of him being the Chairman of the South Devon Tennis League but remained in the meeting and took part in the discussion and vote thereon.

A.12/07

ISA 260 AUDIT REPORT – PRESENTATION BY CRAIG SULLIVAN OF PRICEWATERHOUSECOOPERS

The Committee considered a paper which presented the results of the Council's external auditors, PriceWaterhouseCoopers (PWC) LLP which had been completed under the Code of Audit Practice in order to determine the Council's arrangements for securing economy, efficiency and effectiveness in its use of resource.

In presenting their findings, Mr Sullivan wished, on behalf of PWC, to thank the Council for its positive and constructive approach to its audit and inspection and also wished to express their appreciation for the Council's assistance and co-operation.

Highlighted from the report was PWC's anticipation of issuing an unqualified audit opinion on the financial statements. Members wished to congratulate all those involved in this achievement.

During discussion, particular reference was made to:-

- (a) Clarification of the term "unadjusted misstatements". Members were advised that these were errors identified within the financial statements. If they were considered to be a significant amount, it was expected that the accounts would be amended accordingly. If not, they would remain unadjusted;
- (b) summary of recommendations. Members' attention was brought to appendix A of the circulated document which identified the recommendations of PWC. These recommendations noted the need to reconcile the housing benefit general ledger to the benefit system and the importance of reviewing the National Non Domestic Rates (NNDR) credit balances along with the balances in the suspense account;
- (c) the importance of striving for the top score of '4'.

RESOLVED

1. That Audit wishes to extend its thanks to PriceWaterhouseCoopers for their work over the previous five years;
2. that the Audit Committee does not wish for unadjusted errors to the accounts to be amended as they were considered immaterial by PWC;
3. That the ISA260 Audit Report be noted;

A.13/07

STATEMENT ON INTERNAL CONTROL FOR SOUTH HAMS DISTRICT COUNCIL

A report was considered which provided Members with sufficient information to allow them to independently examine the draft Statement on Internal Control and the supporting evidence. The Statement on Internal Control was a requirement under the Accounts and Audit Regulations 2003 and was subject to review by the Council's external auditor.

The Statement would appear in the Council's annual financial statements and would provide public confirmation that this Council had a sound system of internal control, which facilitated the effective exercise of the Council's functions.

During discussion, reference was made to:-

- a) the 2006/2007 Statement of Internal Control which referred to the Council being at an increased risk to loss of electrical power. A Member requested confirmation that this had now been addressed and that this explained why it had not been repeated in the current circulated report. In response, it was noted that this issue was being addressed and, as identified in item 10: Risk Management Quarterly Review (minute A.15/07 below refers), the purchase of a small on site generator was being investigated;
- b) a non-committee Members concern over the high risk of delivering the new Community at Sherford. In response, it was noted that this had been identified as a high risk because, although the inspectors report had been approved and adopted, there was still the possibility of an examination under judicial review which could not be ruled out;
- c) concern of the overspend on the operational budget for the new waste collection methodology. Officers noted that there was an initial overspend in the first two months of implementation of approximately £80,000, this figure was then projected forward over the following months with the assumption that issues would be rectified. A working group had been established to oversee the project to reorganise the collection rounds in a more efficient and cost effective way. Following a lengthy discussion, Members recommended a review on the management of change in the waste collection, in particular the management of risk for this project;
- d) recruitment and retention of staff. Concern was noted as to the impact of losing key staff and whether this could be mitigated with the shared service initiative. In response, Members were reminded that the position of Chief Executive was shared with West Devon Borough Council, along with the Head of Personnel and Payroll which was a temporary shared post.

RECOMMENDED

That the Council be **RECOMMENDED** that the Statement of Internal Control be approved and that a review on the management of change in the waste collection, in particular the management of risk for this project be included in the statement and carried out.

A.14/07 **FINANCIAL INSTRUCTIONS**

A report was considered to enable Members to review the updated Financial Instructions and revised financial limits.

Members were informed that the existing 2005 Financial Instructions had proven to be a good control measure although rather inflexible in allowing Head of Services to react to situations. In recommending approval of these revisions, changes to the Constitution and the Scheme of Delegations would be required. These changes would also bring the document in line with that of Teignbridge District Council.

During discussion, reference was made to:-

- a) the proposed changes to limits in virements. Following a query, Members were informed that for between £30,001 and £100,000 a virement form was required which was to be authorised by the Head of Financial Services, the respective Head of Service and then ultimately approved by the Executive. Approval by full Council was only required for virements above £100,000;
- b) a number of textual changes to be made to the document prior to its publication;
- c) the importance of a complete and accurate audit trail. A Member expressed his belief that a complete and accurate audit trail was a key mechanism to financial control and that the appropriate section in the document be amended accordingly to reflect this.

RECOMMENDED

That Council be **RECOMMENDED** to approve the Financial Instructions subject to comments (as recorded above) and its inclusion in the Council's Constitution as the 'Financial Procedure Rules', and the revised financial limits.

A.15/07 PROGRESS AGAINST THE 2007/08 INTERNAL AUDIT PLAN

Members considered a report which informed them of the progress made to August 2007 by the Council's Internal Audit section against the 2007/08 annual audit plan, which was reviewed by Scrutiny at its meeting of 19 April 2007 (minute SC.69/06 refers) and the Audit Committee at its meeting of 26 June 2007 (minute A.05/07 refers).

A self assessment undertaken had demonstrated that the section continued to reach the standards set out in CIPFA's Code of Practice for Internal Audit in Local Government enabling the external auditor to place reliance on the work of the section.

The reporting regime for the Audit Committee was still at the development stage, as the Internal Audit Manager needed to balance the resources required to complete the audit plan with the duty to assist the Audit Committee in achieving its objectives.

Members were informed that although the Internal Audit section was making satisfactory progress on the work set out in the plan for the year, the sickness periods taken by the Internal Audit Manager would impact on the output. Without additional resources, it was anticipated that only 90% of the plan would be completed. The issue of additional resource, and the most appropriate way forward, was currently being discussed by managers.

During discussion of the item, Members were informed that there was better scope for control in terms of investigating Best Value Performance Indicators (BVPI's), especially in those areas being audited for the first time. Covalent training was available and the Head of Improvement had issued guidance to managers. However, the Internal Audit Manager assured Members that he would look further at how to address the issue with the Head of Improvement.

RESOLVED

That the progress made against the 2007/08 Internal Audit Plan be noted.

A.16/07 MONITORING REPORT – LEISURE CENTRES, SPORT AND HEALTHY LIFESTYLE CONTRACT

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

The report concluded in stating that the partnership and management contract with Tone Leisure had become firmly established with a considerable amount of staff development having taken place. Some of the new systems and processes had taken a little longer than expected to deliver but it was important that these were correctly introduced.

During discussion, reference was made to:-

- a) the Dartmouth Dual Use Agreement. As noted in the presented report, Members reiterated their concern about the lack of a formal agreement with Devon County Council (DCC) for shared use of Dartmouth Leisure Centre by the college. However, Members were assured that this was being progressed and was currently with DCC for legal agreement;
- b) catering services at the leisure centres. Members were informed that following a deficit of income from the catering service in the leisure centres, an operational management review had taken place and it had been proposed to close the cafe facilities at Totnes Pavilions and streamline the facilities at South Dartmoor and Quayside;
- c) usage figures. Following the implementation of the Leisure Management System which was installed in order to record accurate usage figures, Members were informed that the figures for June and July were approximately 188,900 across the four leisure centres. The difficulty of comparing usage figures to the previous year was noted as data had not been accurately recorded. However, Tone's Finance Director was analysing financial data from 2006/2007 in order to get approximate usage data to compare;
- d) the Youth Nights project. Members were informed that due to the age range being 13-19 years old, legislation dictated that it should be a closed door policy to restrict public access. Currently the number of attendees was dependant on the activity. From a Youth Services perspective, it had been noted that with fewer youths attending, more one on one work could be carried out. Funding and associated costs for the scheme were being monitored to ensure its long term sustainability.

Following a Members wish to discuss financial information of Tone Leisure, 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.

Officers and Members then proceeded to question associated financial data with the Tone Leisure representative. Once all Members were satisfied that they had no further questions in relation to this issue, it was then:

RESOLVED

That the public and press be re-admitted.

It was then:

RESOLVED

That the content of the Leisure Contract Monitoring Report be noted.

A.17/07 RISK MANAGEMENT – QUARTERLY REVIEW

A report was considered that provided an up-date on risk management activities.

During discussion, reference was made to:-

- a) Member training. Officers informed the Committee that just over half the Members had attended the Statement of Internal Control and Risk Management Training with further training sessions scheduled;
- b) the data link between the Council and Teignbridge District Council. It was noted that until a business case had been completed, it was difficult to determine the level of the link. Furthermore, the level of security to protect systems at each Council needed clarification;
- c) the generator. Members were advised that a small power unit was to be recommended to the Executive in order to address concerns of a power loss. It was anticipated that this would be able to power ICT, Customer Services and a temporary emergency planning cell if the need arose.

RESOLVED

That progress made on risk management be noted.

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

Chairman