

**MINUTES OF A MEETING OF AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON TUESDAY, 26 JUNE 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 at the invitation of the Chairman:

Cllr J T Pennington

Also in attendance but not participating:

Cllr R J Tucker

Officers in attendance for all items: Strategic Director (Resources), Head of Financial Services, Internal Audit Manager and Senior Auditor;  
Item 9 Monitoring Report - Leisure Centres, Sport and Healthy Lifestyles Contract (see A.08/07) Head of Landscape and Leisure, Representative from Tone Leisure;  
Item 10 Risk Management – Quarterly Review (see A.09/07) Risk and Health & Safety Advisor.

**A.01/07 WELCOME**

The Chairman welcomed all Members to the inaugural meeting of the Audit Committee.

**A.02/07 TERMS OF REFERENCE**

Copies of the Audit Committee's Terms of Reference were circulated to all Members.

**A.03/07 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 was made.

A.04/07 **AUDIT AND INSPECTION PLAN 2007/2008: A PRESENTATION BY MR S BROWN – AUDIT COMMISSION**

Members considered the Audit and Inspection Plan for 2007/2008, which set out the audit and inspection work to be undertaken in the 2007/08 financial year. The plan was based on the Audit Commission's risk-based approach to audit planning and the requirements of Comprehensive Performance Assessment (CPA). The plan reflected:

- Audit and inspection work specified by the Audit Commission for 2007/08;
- Current national risks relevant to the local circumstances; and
- The Council's local risks and improvement priorities.

Mr Brown then gave a presentation to Members, during which reference was made to:-

- (i) the statutory basis of the Code of Audit Practice;
- (ii) the Audit Commission's approach to strategic regulation which was to deliver a more streamlined audit, emphasise value for money and improved reporting of results;
- (iii) the auditor's main work streams, which were:
  - to give an opinion on the accounts and other regularity work;
  - value for money (VFM);
  - use of resources;
  - data quality;
  - service inspections and corporate inspections.
- (iv) the key outputs from an audit, which were:
  - a planning document;
  - reports on audit work;
  - a report to those charged with governance;
  - the opinion on the financial statements and VFM conclusion;
  - certificate of closure;
  - annual audit letter;
  - any statutory reports.
- (v) the audit fee for 2007/2008 which would be £91,173.

During discussion, a Member questioned how the audit fee was determined. In response, Members were advised that the fee was determined by the Council's gross revenue expenditure and an estimate of the numbers of days work required. The fee was comparable with the previous auditor's charges and was regulated by the Audit Commission. As a high performing Council the fee was expected to reduce in subsequent years, but was higher for the current year as the auditing team needed to become acquainted with the systems and processes that were in place.

A.05/07 **INTERNAL AUDIT – SUMMARY OF ACTIVITIES AND FINDINGS FOR 2006/07**

A report was considered which summarised and informed Members of the principal activities of the Internal Audit section during 2006/07. During discussion the following points were raised:

- (i) a Member enquired about progress with the Partnership Management Audit planned for completion in April 2007. Members were advised that this had not been completed due to the long term absence of the Internal Audit Manager. Members were further advised that the Council's previous auditors, PriceWaterhouse Cooper would be used to undertake internal audit activities should there be any slippage with the plan;
- (ii) Members were advised that Mid Devon District Council would not be incorporated into the shared service arrangements for internal audit;
- (iii) the shared service arrangements for internal audit would provide a more robust service and minimise the impact of staff sickness as teams would be bigger. Larger teams would also allow staff to become specialists in certain areas for example IT auditing. It would also provide scope for career progression and economies of scale to be achieved. Members expressed concern that familiarity with procedures and local knowledge would be diluted. Officers responded by reassuring members that processes were in place to evaluate the risks and a business case detailing the risks and benefits would be produced. The committee's views would be included in any appraisal.
- (iv) the Chairman highlighted eight areas where response to recommendations had not been received despite follow up reminders having been issued. Managers had previously been threatened with Scrutiny if they did not respond. It was felt that the Audit Committee should exercise this function.
- (v) Officers were satisfied that the bank reconciliation process was working properly and correctly. Errors were rectified with support from the software suppliers. Extra testing had been undertaken as a result.

**RESOLVED**

That the Committee noted the report and congratulated Internal Audit on the quality of its work.

**A.06/07 REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE FOR SOUTH HAMS DISTRICT COUNCIL**

A report was considered which informed members of the results of the annual testing and monitoring for 2006/07 as required by the Council's Local Code of Corporate Governance.

During discussion, Officers advised that Scrutiny had expressed concern regarding the value of maintaining a local code. Members were advised that the Council had to clearly demonstrate to the auditors that the process was undertaken.

**RESOLVED**

That the Committee noted the findings of this report.

**A.07/07 INTERNAL AUDIT – ANNUAL INTERNAL AUDIT PLAN 2007/2008**

The Members considered a report which provided the opportunity to view the audit plan and computer audit plan for 2007/08 that was approved by Scrutiny on 19 April 2007.

**RESOLVED**

That the Members notes the content of the audit plan and computer audit programme for 2007/08 that was approved by Scrutiny.

**A.08/07 MONITORING REPORT – LEISURE CENTRES, SPORT AND HEALTHY LIFESTYLES CONTRACT**

Consideration was given to a report which highlighted the overall performance and key issues of the leisure centre management arrangements with Tone Leisure. It provided an update on the first 6 months of operation and also outlined the new monitoring procedures and format that had been developed for the new leisure contract.

During discussion the following points were raised:

- (i) The contract was on target and officers highlighted the improvements at South Dartmoor Leisure Centre and Quayside Leisure Centre where membership had increased;
- (ii) Staff had undergone full training which would help Tone Leisure gain Investors in People status. Thirty five new staff members had been recruited to work on the summer holiday programmes;

- (iii) School swimming places had increased by one hundred and work was ongoing to establish dual use agreements with the schools and Tadpool. Members noted with concern that no contract had been signed for the shared use for the sports facilities at the Norton site in Dartmouth. Members requested a further update on the situation at the next meeting of the Audit Committee;
- (iv) Members expressed their support for the youth leisure nights and considered this initiative to be good for the community. However, Members expressed concern at the sustainability of the youth nights if attendance levels were to decrease. Officers advised that sustainability would be an issue but other possible funding streams were being investigated. Members felt it important that if funding was to become an issue that they be informed at an early stage;
- (v) Members concluded that all controls were in place and working well. The internal audit team would continue to monitor the output and financial management systems;
- (vi) Members noted that the Audit Committee's terms of reference in relation to Tone Leisure went beyond the adequacy of internal controls. Members understood that the role extended to monitoring of performance against the contract agreement. A statement of accounts would form part of the annual report;
- (vii) The Chairman suggested undertaking Committee group visits to the Tone Leisure sites to witness the work that was currently being undertaken.

### **RESOLVED**

that the Audit Committee noted the content of the Leisure Contract Monitoring Report and commented as above.

#### **A.09/07 RISK MANAGEMENT – QUARTERLY REVIEW**

A report was considered that provided an up-date on risk management activities undertaken since March 2007.

During discussion the following points were raised:

- (i) Officers informed Members that there would be three training sessions concerning risk management which were open to all Members to attend.

- (ii) Members were advised that Officers had been requested to identify positive risks within reports as well as negative risks.
- (iii) Members raised the subject of the acquiring the use of a generator. Officers advised that it was felt that without a back up generator the Council would be unable to provide the district with the current service level and would be unable to respond to a regional or national emergency. Members were informed that by the next meeting of the Audit Committee a decision would have been made as to whether a generator was purchased or hired.

**RESOLVED**

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

(Meeting commenced at 10 am and concluded at 12.25 pm)

Chairman \_\_\_\_\_