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SOUTH HAMS AUDIT COMMITTEE - THURSDAY, 24TH NOVEMBER, 2011

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Agenda Letter** (Pages 1 - 2)

2. **Reports**

Reports to Audit:

- a) item 5 - Audit Commission Progress Summary (Pages 3 - 4)
- b) Item 6 - Audit Commission - Annual Audit Letter 2010/11 (Pages 5 - 16)
- c) item 7 - Audit Commission - Audit of System Controls and Financial Statements (including IFRS) (Pages 17 - 32)
- d) Item 8 - Progress against the 2011/12 Internal Audit Plan with EXEMPT appendices (Pages 33 - 52)
- e) Item 9 - Rationalisation of Parking Permits (Pages 53 - 58)

3. **Minutes** (Pages 59 - 62)

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Agenda Item 1

Please reply to: Jo Doney
Service: Corporate Services
Direct Telephone: 01803 861466 Direct Fax: 01803 866669
E-Mail: Jo.Doney@southhams.gov.uk

To: Chairman & Members of the Audit Committee
(Cllrs Bramble, Bruce-Spencer, Cane, Hodgson and Pennington);

Our Ref: CS/JD

cc: Cllr Hicks (Lead Executive Member)
Remainder of the Council;
Usual press and officer circulation.

16 November 2011

Dear Councillor

A meeting of the **Audit Committee** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes on **Thursday 24 November 2011 at 2.00 p.m.** when your attendance is requested.

Yours sincerely

Jo Doney
Member Support Officer

<p>FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT JO DONEY MEMBER SUPPORT OFFICER ON DIRECT LINE 01803 861466</p>

A G E N D A

1. **Minutes** – to approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 28 September 2011 (pages A to E);
2. **Urgent Business** - brought forward at the discretion of the Chairman;
3. **Division of Agenda** - to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
4. **Declarations of Interest** - Members are invited to declare any personal or prejudicial interests, including the nature and extent of such interests, they may have in any items to be considered at this meeting;
5. **Audit Commission Progress Summary** – to consider a report which summarises the work currently in progress to 15 November 2011 (page 1);
6. **Audit Commission – Annual Audit Letter 2010/11** to consider a report on the significant findings of the 2010/11 Audit (pages 2 to 13);

7. **Audit Commission – Audit of System Controls and Financial Statements (including IFRS)** – to consider a report that sets out the findings from the review of the Council’s key financial system controls, audit of the financial statements and review of the implementation of the International Financial Reporting Standards (IFRS) (pages 14 to 28);
8. **Progress against the 2011/12 Internal Audit Plan with EXEMPT appendices** – to consider a report that informs Members of the principal activities and findings of the Internal Audit Section of Financial Services for 2011/12 to 31 October 2011 (pages 29 to 47);
9. **Rationalisation of Parking Permits** – to consider a report that reviews the current provision of car parking permits in off street car parks and the future rationalisation of them (pages 48 to 53)

N.B. Legal and financial officers will not, as a general rule, be present throughout all meetings, but will be on standby if required. Members are requested to advise Member Support Services in advance of the meeting if they require any information of a legal or financial nature.

* * * * *

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

THIS AGENDA HAS BEEN PRINTED ON ENVIRONMENTALLY FRIENDLY PAPER

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Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system

Audit Progress Summary to 15 November 2011



South Hams District Council

Reports issued by the Audit Commission since last meeting

- Unqualified opinion on the 2010/11 accounts and unqualified VFM conclusion issued 29/9/11
- Unqualified Whole of Government Accounts return certified 30/9/11
- Annual audit letter 2010/11 (attached)
- Audit of systems controls and financial statements 2010/11 (attached)

Work in progress

- Grant claims audit – Completion of benefits claim audit work
- Detailed planning and initial work for 2011/12 audit.

Audit Commission events and national reports

- October 2011 – The AC has invited tenders from 13 potential bidders to carry out the outsourced audit of local government (including South Hams District Council) in 10 lots for a period of 3 or 5 years from 2012/13. The AC's Chief Executive wrote to audited bodies on 10th November, updating them on procurement progress.
- October 2011 – The AC confirmed that it intends to deliver final accounts workshops for clients early in 2012. The workshops will be run on a similar basis to previous years and will run from mid-January to the end of February. Invitations will be sent in due course.
- November 2011 – The AC published *Protecting the Public Purse 2011 – Fighting Fraud against Local Government*. This is a summary of what has happened in the field of fraud detection and prevention since 2010, including the findings from our latest fraud survey. The report concludes that:
 - housing tenancy fraud could cost the public purse £900 million each year;
 - councils detected more than £22 million of false claims for student and single person council tax discounts;
 - housing and council tax benefits fraud losses accounted for more than half of the total fraud losses detected by councils;
 - counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils; and
 - councils detected 145 cases of procurement fraud amounting to £14.6 million.

The report contains a checklist for audit committees and the AC has also provided a comparator tool for single person discount (SPD) that allows local authorities to compare their levels of SPD with predicted levels, based on a national average. Two other briefing documents are available for councillors in parish & town councils and for governors in schools.

Documents relating to the above are available from the Audit Commission website.

Steve Brown

Audit Manager, Audit Practice

15 November 2011

www.audit-commission.gov.uk

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Annual Audit Letter

South Hams District Council

Audit 2010/11



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Agenda Item 2b



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Key messages

This report summarises the significant findings from my 2010/11 audit.

My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

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Audit opinion and financial statements

I issued an unqualified audit opinion on the financial statements on 29 September 2011. No material errors were identified in the draft statements.

A small number of errors and other amendments to the statements were required and were adjusted during the audit. A number of disclosure changes were also made.

Overall, this was a good achievement given the significant additional requirement this year for Local Government bodies to implement International Financial Reporting Standards – a major project.

Value for money

I issued an unqualified value for money conclusion for 2010/11.

My VFM conclusion is based on the nationally-set criteria:

- Securing financial resilience – Confirming that the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- Securing and challenging arrangements for economy, efficiency and effectiveness – Confirming that the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

I was satisfied the Council had appropriate arrangements in place to satisfy each of the criteria.

B/W symbol key: Red ■ Amber ◆ Green ●

Current and future challenges

The Council is working in an increasingly demanding environment as funding is restricted.

The Council is facing significant challenges because of the economic downturn. However, it is taking positive action to address these issues.

Below I focus on two of the challenges facing the Council going forward.

Economic downturn and pressure on the public sector

The Council faces significant budget gaps over the next four years as a result of reductions in government funding combined with other financial pressures.

It is addressing this by a strategy which includes:

- Sharing services with West Devon Borough Council
- Identifying other efficiency savings (eg through technology, better procurement, etc)
- Partner working with other organisations
- Rationalising asset use
- Reviews of service provision to identify new ways of working
- Seeking new income opportunities

Significant savings are already being achieved from the senior management review for South Hams and West Devon Councils.

South Hams' share is expected to be in the region of £250,000.

Nevertheless, the challenge remains significant as initial savings opportunities are exhausted and new ones have to be found.

Partnership working

Despite the distraction of possible local government re-organisation in Devon (which has now been discounted) the Council has achieved a great deal through working with partners – particularly through its work to integrate the provision of services with West Devon.

It has a good track record financially, with annual savings from shared services of over £0.6m, and strengthened quality of services.

The challenge going forward will be to apply the learning from the past few years to service areas where there is currently little or no integration, and to expand partnership working, where appropriate, to include other neighbouring authorities.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Overall conclusion

I issued an unqualified opinion on the Council's financial statements and annual governance statement on 29 September 2011. Before giving my opinion I reported to those charged with governance (in this case the Audit Committee) on the issues arising from the 2010/11 audit.

Page 10 The Council prepared its financial statements before the deadline of 30 June 2011. A small number of errors and other amendments to the statements were required and were adjusted during the audit. A number of disclosure changes were also made.

Overall, this was a good achievement given the significant additional requirement this year for Local Government bodies to implement International Financial Reporting Standards – a major project.

In my Annual Governance Report I identified two areas for future improvement:

- A more rigorous quality review process would help to ensure that the number of disclosure and other minor errors in the accounts submitted for audit are reduced.
- Standard valuation information should be made available by the Council's valuer at the start of the audit and queries responded to promptly.

Recommendation

I recommend that the Council takes action to address the issues which I have raised in our Annual Governance Report in relation to future accounts preparation by strengthening quality assurance arrangements and improving the provision of valuation information.

Our memo to management (Report on the Audit of System Controls and Financial Statements) contains an action plan which has been agreed by officers.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

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Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The criterion is met.</p> <ul style="list-style-type: none">■ The Council agreed a balanced budget for 2011/12 in January 2011, the robustness of which was formally confirmed by the chief financial officer.■ South Hams has updated its Medium Term Financial Plan in July 2011 and has developed a clear strategy for addressing the pressure on funding.■ The Council's reserves are adequate and their robustness has been formally confirmed by the chief financial officer■ The Council's framework of control confirms that the underlying financial and risk management systems are operating effectively.

Criterion

Key messages

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The criterion is met.

- The Council continues to perform well overall.
- The 2011/12 budget prioritised resources to meet tighter budget constraints and the strategy adopted with the Medium Term Financial Plan in July 2011 clearly identifies how it plans to target future savings
- The Council's Annual Governance Statement confirms that underlying performance management systems continue to operate effectively.
- There were no issues of concern identified by the Audit Commission's VFM profiles.

Closing remarks

I have discussed and agreed this letter with management. I will present this letter at the Audit Committee on 24 November 2011 and will provide copies to members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit fee letter (revised to reflect the abolition of CAA and Use of Resources)	July 2010
Opinion audit plan	May 2011
Annual governance report	September 2011
Audit of system controls and financial statements (including IFRS)	November 2011

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The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Alun Williams

District Auditor

November 2011

Appendix 1 – Fees

	£ Actual	£ Proposed	£ Variance
Agreed fee *	99,950	99,950	nil
Non-audit work	nil	nil	nil
Audit Commission refund re IFRS 6%	-6,286	-6,286	nil
Audit Commission refund re Use of Resources 1.5%	-1,499	-1,499	nil
Total	92,165	92,165	nil

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* The agreed fee reflected extra work required to audit the introduction of International Financial Reporting Standards and new Auditing Standards but, in recognition of the financial pressures facing authorities, the Audit Commission refunded these costs, as shown above.

In addition the Audit Commission refunded a further 1.5% in respect of changes to the Use of Resources audit regime.

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.



Audit of system controls and financial statements (including IFRS)

South Hams District Council

Audit 2010/11



The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Summary report

Introduction

1 Our principal objective as the appointed auditor of South Hams District Council is to carry out an audit that meets the Audit Commission's Code of Audit Practice.

2 This report sets out how we have achieved this objective and brings to your attention the findings from:

- our review of the Council's key financial system controls;
- our audit of the financial statements and the Whole of Government Accounts return, and;
- our work on the implementation and reporting of the Council's first time adoption of the International Financial Reporting Standards (IFRS).

Audit approach

3 Our audit approach is designed to comply with the requirements of the International Standards on Auditing, as they apply to the United Kingdom and Ireland (ISA UK&I). The approach we take focuses on areas of greatest risk, where errors would lead to material misstatements, and evaluates the adequacy of the Council's own arrangements to address the risk.

4 The audit is divided into two main stages: Pre-statements and post-statements as set out below in Table 1.

5 In 2010/11 local authorities were required to prepare financial statements under International Financial Reporting Standards (IFRS). In response to this we reviewed the Council's arrangements for the first time adoption of the new standards as part of the pre-statements audit and substantively tested the Council's reporting against IFRS as part of our post-statements audit.

Table 1: **Details of work covered at pre and post statements**

The table sets out the work undertaken at the two main stages of this audit

Audit area	Details of work covered
Pre-statements testing	We have undertaken audit procedures to ensure that the Council has adequately designed and operated information systems (including financial systems) to enable it to prepare financial statements free from material misstatement.

Audit area	Details of work covered
	<p>We have identified the following information systems as those giving rise to material entries in the Council's financial statements.</p> <ul style="list-style-type: none"> ■ General ledger (including cash & bank) ■ Payroll ■ Debtors ■ Creditors ■ Council Tax ■ NNDR ■ Housing Benefits ■ Treasury Management ■ Property, plant & equipment <p>At the pre-statements stage of the audit our objective was to ensure that we have assurance over the key controls within each of these systems.</p>
Pre Statements IFRS Arrangements	We undertook a review of the Council's arrangements for the implementation of IFRS and tested the restated 31/3/10 and 1/4/09 figures impacted by IFRS.
Post-statements testing	We undertook substantive testing on the material figures in the Financial Statements to ensure that they presented fairly the Council's position at the 31/03/11.

6 Our pre-statements testing is designed to comply with the requirements of ISA (UK&I) 315 (Understanding the Entity) and throughout all of the work we are mindful of the requirements of ISA (UK&I) 240 (The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements).

7 This report covers all elements identified in Table 1 above.

Main conclusions

Pre-statements audit

8 The Council has appropriate systems and controls in place to ensure that materially correct financial statements are produced. Accounting processes and governance arrangements are generally sufficiently robust to safeguard the assets of the Council and support effective production of the financial statements.

9 However, we have identified a small number of control weaknesses in the general ledger and debtors systems. These weaknesses should be addressed, as outlined in our action plan, as a matter of priority.

International Financial Reporting Standards

10 We reviewed and agreed the Council's arrangements for the implementation of and reporting of IFRS.

Post-statement audit

11 Our review of the financial statements was completed satisfactorily and we issued an unqualified audit opinion on 29 September 2011.

12 Significant audit findings were reported to the Council's Audit Committee on 28 September 2011 in our annual governance report. No material errors were identified.

13 Recommendations in the body of this report identify areas that should be strengthened for future years, including the need for improved Quality Assurance arrangements.

14 All our recommendations are brought together in the action plan at Appendix 1.

Acknowledgement

15 Our thanks are due to all the officers who assisted us in the course of the audit.

Detailed findings

Pre-Statements Audit

16 Our overall conclusion is that the Council has appropriate systems and controls in place to ensure that materially correct financial statements are produced. Accounting processes and governance arrangements are sufficiently robust to safeguard the assets of the Council and support effective production of the financial statements.

17 There are two areas where further improvements can be made to enhance and develop existing controls and systems. Our key findings are summarised below. We have previously shared these with management following completion of the work earlier in the audit

18 We note that one of these issues was also reported to you in our 2009/10 report 'Systems/accounts audit & preparations for IFRS'.

General Ledger

19 Internal Audit (IA) work identified areas where access to the general ledger system should be tightened. Testing identified an individual who had left the Council, who still had access to the general ledger (GL) and that two finance staff had access to the debt recovery system which they did not require.

Recommendation

R1 The Council should ensure that general ledger access for leavers is removed in a timely manner and access levels of existing staff are regularly reviewed to ensure access levels are appropriate.

Debtors

20 In 2009/10 we identified weaknesses in the sundry debtor system controls. Summary listings of raised invoices and aged debt reports were not being consistently reviewed by all Managers within the Council.

21 IA testing identified that the same weaknesses were evident in 2010/11.

22 Whilst the majority of Managers were reviewing summary listings of raised invoices, some did not, and not all were aware of the need to do so.

23 The level of analysis by Managers of aged debt reports varied from detailed review to no action at all.

Recommendation

R2 Controls over invoice raising should be strengthened. As in 2009/10, the Council should ensure that the Council's controls to review all issued invoices and aged debt on a regular basis are consistently applied by Managers.

IT Risk Assessment (ITRA)

24 We undertook an IT risk assessment in 2010/11 and, overall, we found that IT controls within the Council operated effectively.

25 We noted, however, that the IT Security Policy was last updated in 2009.

Recommendation

R3 The IT security policy should be reviewed and updated as necessary.

National fraud Initiative

26 We considered the Council's progress in considering NFI data matches.

27 We identified that the Council does not treat Council tax single person discount matches as potential fraud - this differs to other authorities. Incorrect claims for single person discount may be fraudulent and the cost of these will fall on the council tax payer. If the council does not consider this possibility then there is no deterrent to potential fraudsters.

28 'Protecting the Public Purse' (Audit Commission, October 2010) identifies some good practice in this area - paragraphs 33-42 refer.

29 We also noted that the Council has not recently worked with residential social landlords to minimise fraud.

Recommendation

R4 The Council should review its approach in relation to single person discount matches.

R5 The Council should consider working more closely with residential social landlords in order to identify current fraud and help minimise future fraud.

International Financial Reporting Standards (IFRS)

30 The Council were required to implement new International Financial Reporting Standards in 2010/11.

31 At the pre-statements stage of the audit we reviewed and agreed the Council's plans for implementing and accounting for the new Standards and liaised with the Council's finance team to review and agree the principles that had been applied in adopting IFRS for the 2010/11 accounts. We also considered the material changes as a result of IFRS and reviewed supporting working papers.

32 At the post statements stage of the audit we carried out audit procedures to agree that the Council had made appropriate and materially correct disclosures. We agreed that these disclosures were in accordance with adopted accounting policies and the requirements of the Code and IFRS.

Post Statements Audit

Financial Statements

33 The draft financial statements for 2010/11 were authorised for issue by the S151 Officer on 30 June 2011, and we completed our audit and issued an unqualified audit opinion on 29 September 2011.

34 We reported our most significant audit findings to the Audit Committee on 28 September 2011 in our Annual Governance Report (AGR). This report sets out the other issues identified or where actions are required in relation to issues reported in the AGR.

Quality of the draft accounts.

35 A number of amendments were agreed and made to the draft accounts as detailed in the AGR. We also identified a number of minor presentation errors - these were partially attributable to the change to IFRS.

Recommendation

R6 More rigorous Quality Assurance checks of the accounts should be implemented for future years.

Quality of working papers

36 The general quality of the working papers was very good. The majority of working papers were provided electronically and were clear. One exception was the working papers supporting property, plant and equipment figures, coming from the new RAM system, which should be improved for next year.

Recommendation

R7 The Council should ensure that the supporting working papers for property, plant and equipment are improved for next year.

Accounting policies

37 The Authority did not include a de minimis level for accounting for PPE in their accounting policy in line with the Code.

Recommendation

R8 The authority should specify and apply an appropriate de minimis level for PPE in 11/12.

Valuation information

38 As reported in the AGR, standard valuation information was sought from the valuer at the start of the audit but was only provided much later after reminders and with the assistance of service leads.

Recommendation

R9 Requested information should be provided early in the audit by the Council's valuer and follow-up valuation queries should be responded to promptly.

Estimates

39 Differences were identified between figures in the accounts and the Housing Benefit subsidy claim and National Non Domestic Rates return submitted for audit. While the differences were only £51k on a total of £20,286k for Benefits rent allowance subsidy, and £36k on a total of £23,353k for NNDR pool payments, they are still non-trivial. If estimated figures are used then this needs to be disclosed in the Council's accounting policies.

Recommendation

R10 Estimates should be based on the most relevant information available prior to the pre-audit accounts being approved. In the case of claims/returns, figures in the pre-audit claim/return should be applied. Alternatively, if estimated figures are used then this needs to be disclosed in the Council's accounting policies.

Leases

40 The lease disclosure note explained that 'The authority leases various parcels of land to external organisations' in Note 32. The Chief Accountant confirmed that all other leases are insignificant.

Recommendation

R11 The Council should review leases in 2011/12 and provide supporting evidence to demonstrate the accuracy of the lease disclosure note.

Uncorrected errors

41 One uncorrected error was reported in the AGR:

- Income received in advance was overstated by £15k (£20k extrapolated error) as rent was not split between 2010/11 and 2011/12.

Recommendation

R12 The Council should ensure that the uncorrected rent error is corrected before the preparation of the 2011/12 accounts and that appropriate accruals are made for rent in 2011/12.

Annual Governance Statement

42 We reviewed the Council's annual governance statement and confirmed it was consistent with our knowledge of the Council and compliant with the relevant guidance.

Appendix 1 Action Plan

Recommendations

Recommendation 1 - General ledger

The Council should ensure that general ledger access for leavers is removed in a timely manner and access levels of existing staff are regularly reviewed to ensure access levels are appropriate.

Responsibility	Chief Accountant
Priority	M
Date	2011/12
Comments	Officers who have left the Council have their access removed via the active directory password so would be unable to view the general ledger. Therefore, there is minimal risk to the Council. However, the access privilege would still show on Civica, so the identified officers' view only accesses were removed. A review of general access will be carried out at intervals through the year.

Recommendation 2 - Debtors

Controls over invoice raising should be strengthened. As in 2009/10, the Council should ensure that the Council's controls to review all issued invoices and aged debt on a regular basis are consistently applied by Managers.

Responsibility	Chief Internal Auditor
Priority	H
Date	31st December 2011
Comments	A reminder will be sent to the relevant officers pointing out the importance of reviewing the invoices received and signing the summary sheet, and managers responsible for reviewing the service level aged debt reports. As in previous years, the audit risk to the Council is questioned.

Recommendation 3 - IT

The IT security policy should be reviewed and updated as necessary.

Responsibility	ICT Infrastructure Manager
Priority	H
Date	30th June 2012
Comments	Infrastructure and Applications is a project under the 2015 Transformation Programme. A review of associated ICT policies including the ICT Security and Common Access Strategy will be included. The project will require an appreciation and the likely outcomes of the strategic asset review.

Recommendation 4 - NFI - Council tax single person discounts

The Council should review its approach in relation to single person discount matches.

Responsibility	Customer Services Manager
Priority	H
Date	31st March 2012
Comments	<p>The NFI website has been reviewed for SPD data matches and any required action taken. The Council also carries out a review of SPDs by parish using a rolling programme.</p> <p>We will contact other Councils to establish alternative practices. Any decision made thereafter will depend upon the results and available resources.</p>

Recommendation 5 - NFI - Working with RSLs

The Council should consider working more closely with residential social landlords in order to identify current fraud and help minimise future fraud.

Responsibility	Housing Services Manager
Priority	M
Date	31st March 2012
Comments	<p>The NFI website has been reviewed for data matches between Housing Benefit claims and Tenants and any required action taken.</p> <p>A meeting is planned with the Council's main Registered Provider (RSL), which will include the discussions about the perceived levels of housing fraud in the district and the need to develop a formal working protocol for housing fraud.</p>

Recommendation 6 - Quality assurance

More rigorous Quality Assurance checks of the accounts should be implemented for future years.

Responsibility	Chief Accountant
Priority	M
Date	30th May 2012
Comments	<p>The Council implemented IFRS within the very challenging deadlines required. Now that implementation has been achieved it is anticipated that more staff resources will be available for the checking of the 2011/12 accounts.</p>

Recommendation 7 - Working papers - PPE

The Council should ensure that the supporting working papers for property, plant and equipment are improved for next year.

Responsibility	Chief Accountant
Priority	M
Date	30 July 2012
Comments	This issue arose from the implementation of new software in 2010/11. A revised format for the working papers required for next year's audit has now been agreed between the Finance team and External Audit.

Recommendation 8 - Accounting policies

The authority should specify and apply an appropriate de minimis level for PPE in 11/12.

Responsibility	Chief Accountant
Priority	M
Date	31 March 2012
Comments	The Council's de-minimis policy which has been in operation for a number of years will be incorporated in the Council's accounting policies for 2011/12.

Recommendation 9 - Valuation information

Requested information should be provided early in the audit by the Council's valuer and follow-up valuation queries should be responded to promptly.

Responsibility	Head of Assets
Priority	H
Date	As required by External Audit
Comments	The valuation information for the 2011/12 audit will be provided in a timely manner.

Recommendation 10 - Estimates

Estimates should be based on the most relevant information available prior to the pre-audit accounts being approved. In the case of claims/returns, figures in the pre-audit claim/return should be applied. Alternatively, if estimated figures are used then this needs to be disclosed in the Council's accounting policies.

Responsibility	Chief Accountant
Priority	M
Date	30 May 2012
Comments	The Council endeavours to use the most up to date information available within the constraints of the timetable for the closure of accounts. The approach used will be disclosed in the Council's accounting policies.

Recommendation 11 - Leases

The Council should review leases in 2011/12 and provide supporting evidence to demonstrate the accuracy of the lease disclosure note.

Responsibility	Chief Accountant
Priority	H
Date	31 December 2011
Comments	A review will be undertaken as recommended.

Recommendation 12 - Uncorrected errors

The Council should ensure that the uncorrected rent error is corrected before the preparation of the 2011/12 accounts and that appropriate accruals are made for rent in 2011/12.

Responsibility	Chief Accountant
Priority	H
Date	N/a
Comments	Not agreed. The 2010/11 accounts were credited with income from 4 quarterly invoices. We did not adjust individual invoices between different financial years because only 10 days of rent due in 2010/11 was credited to the 2011/12 financial year. The Council's accounting policies will be adjusted to reflect this pragmatic approach.

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AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

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NAME OF COMMITTEE	Audit Committee
DATE	24 November 2011
REPORT TITLE	PROGRESS AGAINST THE 2011/12 INTERNAL AUDIT PLAN
Report of	Chief Internal Auditor
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2011/12 to the 31st October 2011, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by the section against the 2011/12 annual audit plan, reviewed by this Committee in April 2011.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee considers the progress made against the 2011/12 Internal Audit Plan and comments on the summary of issues arising.

Officer contact:

Allan Goodman, Chief Internal Auditor
Email: allan.goodman@southhams.gov.uk

1. BACKGROUND

1.1 The Terms of Reference for Internal Audit were presented to the Audit Committee in April 2011 (Minute reference A.30/10) and cover:

Purpose, Authority and Responsibility;
Independence;

Audit Management;
 Scope of Internal Audit's Work;
 Audit Reporting; and
 Audit Committee.

- 1.2 The Audit Strategy was updated for 2011/12 and was approved by the Audit Committee in April 2011 (Minute reference A.39/10 refers) and covers:

Objectives and Outcomes;
 Opinion on Internal Control;
 Local and National Risk Issues;
 Provision of Internal Audit; and
 Resources and Skills.

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2011/12

Audit Plan 2011/12

- 2.1 The 2011/12 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2011 (A.40/10 refers).

Local and National Risk Based Amendments to the Plan

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated into the audit plan either through the contingency days or by change to the plan, depending on the significance.
- 2.3 There are no proposed amendments to the 2011/12 plan as at the 31st October 2011.
- 2.4 Overspends on the estimated time for individual audits occur as the time in the audit plan is an estimate based on risk and generally not the amount of time needed to do the work required. All efforts are made to 'cut our cloth according to our means', but in some circumstances where control issues are identified, a risk based assessment is carried out. This constitutes consideration, depending on the significance, of whether additional time should be spent and if so where the work is to be charged, either contingency or by change to the audit plan.
- 2.5 The following table sets out the significant overspends on time budgets (3.5 days or more) on individual audits as totalled in Appendix A, and the reasons for the overrun:

Audit	Planned Days	Days Used	Reason for Overspend
-	-	-	None over 3.5 days
-	-	9	Total of over or under spends of all other finalised audits
Total	8	2	Overspends to date – 9 days

Resources and Skills

- 2.6 Sickness to the end of October 2011 is 4 days (2010/11 equivalent 1 day).
- 2.7 The number of audit days provided by the Auditor at the end of October was 125 days set against the planned 180 days for the year (2010/11 equivalent 122 days).
- 2.8 In 2011/12, training has been or is being provided to the audit team as follows:

Internal Audit Manager

- Council Contracts & Your Actions (in-house)

Senior Auditor:

- Council Contracts & Your Actions (in-house)
- Office 2007 (E-learning)

Auditor:

- Council Contracts & Your Actions (in-house)
- Listening Skills; Questioning Skills; Office 2007 (E-learning)

Progress Against the Plan

- 2.9 The 2011/12 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer on a monthly basis.
- 2.10 The reporting of individual high priority recommendations is set out at **Exempt Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.
- 2.11 **Exempt Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. This too forms part of the report to the S.151 Officer. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.12 **Exempt Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Non Compliance with Financial Procedure Rules

- 2.13 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud

2.14 No actual, suspected or allegations of fraud have been identified so far this year.

Performance Indicators

2.15 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2011/12.

2.16 At this stage in the year, the key indicator 'Completion of 2011/12 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2010/11 audit plan.	90	98	As reported to the Audit Committee June 2011.
Audits at the end of October at various stages of completion from 2011/12 audit plan and their 2010/11 equivalents.			
SHDC	-	52%	(53% at October 2010).
WDBC	-	42%	(23% at October 2010).
Combined plan Target to end of October 2011 = 38.5%	90	54%	(48% at October 2010).

Internal Audit – Shared Services

2.17 The following has been achieved since the last Audit Committee:

Shared service with West Devon

- Revised Anti-Fraud and Corruption Strategy aligned and updated to reflect recent manager reviews and shared services and recommended for approval by the Councils' September Audit Committees;
- Revised Contract Procedure Rules updated and aligned for both Councils' and recommended for approval by the Audit Committee for South Hams and the Standards Committee for West Devon;
- Progress on the 2011/12 audit plan.

Teignbridge

- Exchange of audit programmes, advice and best practice;
- Liaison over Contract Procedure Rules; Anti-Fraud and Corruption Strategy, Anti Money Laundering Policy and Risk Management.

3. LEGAL IMPLICATIONS

3.1 Statutory Powers: **Accounts and Audit Regulations 2003, 2006, 2011**

4. FINANCIAL IMPLICATIONS

4.1 None, within existing budgets.

5. RISK MANAGEMENT

5.1 The risk management implications are:

Opportunities	Benefits
A risk based audit plan directs scarce audit resources away towards areas of high risk to the Council.	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor places reliance upon the work of internal audit, resulting in no additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.

Issues/Obstacles/Threats	Control measures/mitigation
The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Internal Audit Manager on the System of Internal Control..	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.
The external auditor placing no reliance upon the work of internal audit, resulting in additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.
The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year.

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2003, 2006, 2011

Considerations of equality and human rights:	There are no specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.
Crime and disorder implications:	There are no specific crime and disorder issues arising from this report.
Background papers:	CIPFA Code of Practice for Internal Audit in Local Government 2006; SHDC 5-year Audit Plan 2010/11 to 2015/16.
Appendices attached:	<p>Appendix A: Audit Plan 2011/12 – Progress to 31 October 2011</p> <p>Exempt Appendix B: Planned Audit 2011/12 – Final Reports: Detailed Items</p> <p>Exempt Appendix C: Planned Audit 2011/12 – Summary of Results</p> <p>Exempt Appendix D: Unplanned Audit 2011/12 – Summary of Results</p>

Progress Against the 2011/12 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	11									
Creditor Payments	9									
Payroll	10									
Council Tax	12	■								20% completed.
Business Rates (NDR)	10									
Benefits	20									
Debtors	9									
Treasury Management	7	■								75% completed.
Capital Expenditure	8									
Fundamental Systems	96									
Email Monitoring	4	■	■	■	■	■				Summary to Audit Committee - November 2011
Internet Monitoring	4	■	■	■	■	■				Summary to Audit Committee - November 2011
Computer Audit	26									
Car and Boat Parking	9									
Dartmouth Lower Ferry	9	■								95% completed.
Private Sector Housing Renewal	8	■	■							Draft issued 10.10.2011
National & Performance Indicators incl. Data Quality	5	■	■	■	■		■			Summary to Audit Committee - November 2011
Salcombe Harbour	10	■								13% completed.
Grants - RDPE Rural Community LAGs	60	60 days used								195 project claims audited (3 quarters); plus 64 Management & Admin invoices

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Progress Against the 2011/12 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Follow Up of Previous Year's Audits	10	4 days used				-	-	-	-	
Contingency (Unplanned)	50	28 days used	-	-	-	-	-	-	-	See table at Appendix D.
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	4	2 days used	-	-	-	-	-	-	-	8 Exemption applications received April to October 2011 with 7 approved,
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	AGS recommended to the Council for approval following report to the Audit Committee - July 2011. Published September 2011.
Risk Management / Business Continuity	5									
West Devon Borough Council	85 + 4	47 days used	-	-	-	-	-	-	-	Separate report to WDBC Audit Committee
Dartmouth Town Council	5	■	■	■	■	-	-	-	-	Summary to Audit Committee - September 2011
Other Essential	307									
Elections	8	■	■							Issued 05.10.2011
CST/Cash Collection	8	■	■	■	■			■		Summary to Audit Committee - November 2011
Public Conveniences	8	■	■	■	■		■			Summary to Audit Committee - September 2011
Recycling	9	■	■	■	■		■	■		Summary to Audit Committee - September 2011
Leisure Client and Tourism	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Travel and Subsistence	8	■	■	■	■		■			Summary to Audit Committee - September 2011
Building Regulations incl Other Building Control Work	10									
Employment Estates	8	■	■	■	■			■		Summary to Audit Committee - September 2011
Stores	5	■								95% completed.

Progress Against the 2011/12 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Advice to Information Compliance/Other Groups	3	0.2 days used				-	-	-	-	
Asset Management	7									
Shared Services	8	■				-	-	-	-	See Miscellaneous below.
Other	90									
Audit Administration	20	17 days used	-	-	-	-	-	-	-	
Audit Management, including Audit Planning	15	9 days used	-	-	-	-	-	-	-	
Audit Monitoring Reports to Management and Audit Committee	20	7 days used	-	-	-	-	-	-	-	
Training	10	1 day used	-	-	-	-	-	-	-	
Miscellaneous e.g. Financial Regulations etc.	5	1.5 days used	-	-	-	-	-	-	-	Revised Contract Procedure Rules; Anti Fraud and Corruption Strategy, to September 2011 Audit Committee. Anti Money Laundering
Other	70									
Overall Total	601									
Included above:										
Installation & Healthcheck	7									
Computer and Network Management & Security	9									
Change Control	7									
Other Reviews	3									
Computer Audit	26									

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AGENDA
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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

9

NAME OF COMMITTEE	Audit
DATE	24 November 2011
REPORT TITLE	Rationalisation of parking permits
Report of	Street Scene Manager (Service Development)
WARDS AFFECTED	All

Summary of report:

This report reviews the current provision of parking permits in off-street car parks, and the future rationalisation of those.

Financial implications:

There is likely to be a small increase in Pay & Display income if Bowling Club permits (both Leisure and Visitor) are adjusted as per the recommendation.

Future financial implications will be assessed, monitored and reported to the Executive.

RECOMMENDATIONS:

That the Audit Committee considers the report and makes comment on the recommendations below which are to be presented to the Economy and Environment Scrutiny Panel meeting on 24 November 2011.

- The Creek reserved bays should be phased out.
- The Weekly Ticket should be renamed the South Hams Weekly Pass and be available through the Council's cashless parking payment system (RingGo) when implemented.
- Bowling Leisure permits should be eliminated. Users should be issued with a standard Leisure permit, allowing 4 hours parking. Additional time should be made up with the purchase of a Pay & Display ticket.
- Bowling Club permits, for visiting players, should be eliminated and visitors should purchase a Pay & Display ticket.
- Only Council employees, RNLI and TIC staff should continue to receive staff parking permits.

Officer contact:

Cathy Aubertin, Street Scene Manager (Service Development)

01822 813650

caubertin@westdevon.gov.uk

1. BACKGROUND

1.1 At the Audit Committee meeting held on 14th June 2011, it was resolved:

“That a report be taken to a future Audit Committee on the rationalisation of Car Park permits.”

1.2 By coincidence, the Economy & Environment Scrutiny Panel set up a Member Task & Finish Group to review the same subject. Therefore, the officer tasked with rationalising permits has done so in consultation with the Task and Finish Group.

2. ISSUES FOR CONSIDERATION

2.1 Having considered the many and varied permits available (attached at Appendix A), the officer's view is that, whilst it would be advisable to reduce the variations in order to make the service more manageable, this rationalisation needs to be carried out in conjunction with a review of Pay & Display tariffs.

2.2 However, there are a couple of ‘quick win’ recommendations that could be considered by the Executive, and these are detailed below.

2.3 The reserved parking permits for The Creek car park should be phased out. Only two of these permits have been issued in the last couple of years. There should be no more advertising of these permits and they should continue to be offered only to the two current users on a personal basis and for as long as they need them. Once they no longer require the permits, the bays should be released for general parking.

2.4 The Weekly ticket should be renamed and become a South Hams Weekly Pass. This Pass will enable the holder to park in any long stay car park in the district. It should be available via RingGo when it is introduced early in 2012, which will eliminate the requirement for so many permits to be sold and, therefore, possibly eliminate the need to maintain an audit trail of the books of permits in the future.

2.5 Leisure permits have been the subject of a separate report to the Executive [minute ref E34/ 11 on 13th October 2011] and the issuing of these permits will be undertaken by Tone Leisure with effect from January 2012. Leisure permits are priced at £56 each, are only available to those who also hold leisure centre membership, and permit 4 hours parking to those holders. However, the Bowling Leisure permits are marked with a ‘B’ and allow 5 hours parking, but for no additional fee. It is, therefore, recommended that bowlers be issued with a standard Leisure permit and, if it is necessary to park for longer than 4 hours, that an additional hour's parking is purchased from the Pay & Display machine. This will eliminate the anomaly in this group of permits.

2.6 Furthermore, bowling clubs are able to purchase books of 200 tickets for £100, and each ticket allows 5 hours parking for visiting bowlers. This equates to 50p per 5 hour parking session. Consideration should be given to eliminating this, with due notice to the clubs and for visiting bowlers to pay for parking, as any other visitor would, unless the visitor holds another valid permit.

- 2.7 Staff permits have, historically, been issued not only to Council employees but also to various other organisations, such as:
- RNLI
 - Devon County Council, including Community College staff
 - Tourist Information Centre staff
 - Police
 - Tone Leisure
 - SHDC minor works contractors
- 2.8 Consideration should be given to eliminating the practice of issuing staff permits to most organisations listed above, possibly with the exception of the RNLI, in recognition of the importance of this service and the fact that it is largely staffed by volunteers..
- 2.9 The cost and availability of all other permits should be considered in conjunction with the review of Pay & Display tariffs, to ensure that, for example, commuters are encouraged to park in peripheral rather than town centre car parks.

3. LEGAL IMPLICATIONS

- 3.1 The Council has power to provide off-street parking under the Road Traffic Regulation Act 1984 (as amended).
- 3.2 South Hams District Council has legal powers to carry out enforcement both on and off-street under the Devon County Designation Order made under the Traffic Management Act 2004.

4. FINANCIAL IMPLICATIONS

- 4.1 There is likely to be a small increase in Pay & Display income if Bowling Club permits (both Leisure and Visitor) are adjusted as per the recommendation. However, in taking forward recommendations, officers will report any financial implications to the Executive.

5. RISK MANAGEMENT

5.1 The risk management implications are:

Opportunities	Benefits
To simplify and ensure better controls are in place in managing permits.	Improved audit trails A more equitable service
Issues/Obstacles/Threats	Control measures/mitigation
Customer dissatisfaction, particularly those who currently hold free parking permits.	Good communication, including press releases. Giving notice of any future changes to permits provided.

Corporate priorities engaged:	Environment Community
Statutory powers:	Road Traffic Regulation Act 1984
Considerations of equality and human rights:	Consideration has been given to the needs of disabled people and the disadvantages that may accrue to current users if the proposals in the report are put into effect
Biodiversity considerations:	None are engaged by this report
Sustainability considerations:	None are engaged by this report
Crime and disorder implications:	None are engaged by this report
Background papers:	Executive minutes – 13 th October 2011 Notes of the informal meeting of the Economy & Environment Scrutiny Panel – 7 th July 2011
Appendices attached:	Appendix A

Appendix A

PERMIT NAME	NOTES AND USE	NO ISSUED
Reserved	Shadycombe/Vic St/Mayors Ave	45
	Pavilions	9
	Creek	2
Annual Parking Permit	All long stay car park	446
Six Month Parking Permit	All long stay car park	143
One Month Parking Permit	All long stay car park	44
Annual parking Permit Disabled	All long stay + s/stay as listed	14
Annual Parking Permit	Business user	96
Six Month Parking Permit	Business user	123
Commuter permit	Economy car parks	341
Commuter permit disabled	Economy car parks	4
Commuter business	Economy car parks	30
Commuter Modbury	Upper section p/well Meadow also	11
Commuter Torcross	Free in winter	12
Weekly ticket	All long stay car parks	34 books - 50 tickets per book
Aveton Gifford	12 months boat parking	
residents concessionary	4pm to 10am all car parks	581
Leisure permits	Leisure centre car parks 4 hrs max stay	3173
Leisure permit monthly	Leisure centre car parks 4 hrs max stay	28 books - 50 tickets per book
Leisure permits bowlers	5 hours max stay	80
Mount view permits	Heathway only	7
Staff permits	as required SHDC	377

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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT FOLLATON HOUSE, TOTNES ON 24 NOVEMBER 2011

MEMBERS

Members in attendance			
* Denotes attendance		∅ Denotes apology for absence	
*	Cllr I Bramble	*	Cllr J M Hodgson
∅	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr B F Cane		

Also in attendance and participating	
Cllr T R Holway	

Officers in attendance	
All Agenda Items: Head of Finance and Audit, Chief Internal Auditor, Chief Accountant, and Member Support Officer; and The Principal Auditor, The Audit Manager and the District Auditor (Audit Commission)	

A.21/11 MINUTES

The minutes of the meeting of the Audit Committee held on 28 September 2011 were confirmed as a correct record and signed by the Chairman.

A.22/11 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.23/11 AUDIT COMMISSION PROGRESS SUMMARY TO 15 NOVEMBER 2011

The District Auditor presented the summary. Members noted the conclusions in the 'Protecting the Public Purse 2011' report and the 145 cases of procurement fraud detected amounting to £14.6 million. The District Auditor responded that as a result of the economic climate, there was an increased propensity for fraud, which was why the Audit Commission was paying this such attention.

It was then:

RESOLVED

That the contents of the Progress Summary be noted.

A.24/11 AUDIT COMMISSION ANNUAL AUDIT LETTER 2010/11

The District Auditor informed Members that the Audit Letter was a brief summary of all the audit work that had been undertaken in 2010/11. The Committee Members he said, would already be familiar with the contents, but the document was really geared towards informing the public

It was then:

RESOLVED

That the Annual Audit Letter be noted and accepted.

A.25/11 AUDIT COMMISSION – AUDIT OF SYSTEM CONTROLS AND FINANCIAL STATEMENTS

The District Auditor presented the report, which by contrast to the previous document, was produced specifically for the Council's finance officers. The report set out the key findings from the review of the Council's key financial system controls, audit of the financial statements and the Whole of Government Accounts return, and the work on the implementation and reporting of the Council's first time adoption of the International Financial Reporting Standards (IFRS). The report was presented to the Committee, in order for them to be informed of what work was in progress and of their recommendations.

The Commission had found that the Council had appropriate systems and controls in place to ensure that materially correct financial statements were produced. Accounting processes and governance arrangements were generally robust, however, a small number of control weaknesses were identified in the general ledger and debtor systems. The arrangements for the implementation and reporting of the IFRS were agreed and the review of the financial statements had been completed. An unqualified audit opinion was issued on 29 September 2011.

A number of recommendations had been made regarding areas that could be strengthened for future years, and, in particular the need for improved quality assurance arrangements was highlighted.

The Chairman commented that it would be more helpful if the officer responses to the recommendations could have been absorbed in the main body of the report, rather than appended separately. The Chief Internal Auditor confirmed that officers had responded to all the recommendations and agreed a way forward. He further assured that the weaknesses identified in debtor controls could be dealt with internally, without the requirement for external resources.

The District Auditor was asked what the situation now was in regard to Local Audit. Members were informed that all the work undertaken by the Audit Commission would be outsourced. The Audit Commission was now in the tendering process and thirteen organisations had submitted a tender. A decision on the successful applicant would be made in late February/early March 2012. A consultation with all audited bodies would then take place to ascertain if there were any conflict of interests e.g in regard to previous contractual arrangements. It was envisaged that the entire process would be completed by September 2012. Current staff would continue with work being undertaken on financial statements until the end of October 2012 and would then transfer to the new provider.

It was asked if the costs for auditing would increase as a result of these changes. The District Auditor responded that costs were more likely to decrease, as the level of work that was previously required to be undertaken by the Audit Commission, had now diminished

It was then:

RESOLVED

That the Audit of System Controls and Financial Statements be noted.

A.26/11

PROGRESS AGAINST THE 2011/12 INTERNAL AUDIT PLAN

The Chief Internal Auditor presented the report which informed Members of the principal activities of the Internal Audit Section of Financial Services for 2011/12 to 31 October 2011. The Chief Internal Auditor informed that good progress was currently being made against the plan. There were no significant issues to bring to the attention of the Committee and no actual, suspected or allegations of fraud, and no breaches of financial rules.

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 items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

Members then discussed the exempt appendices, which had been presented as part of the report, and the Chief Internal Auditor responded to a number of queries that were raised.

It was then:-

RESOLVED

That the public and press be readmitted.

It was then:-

RESOLVED

That the report be noted and has been commented upon.

A.27/11 RATIONALISATION OF PARKING PERMITS

In accordance with a previous request of the Committee (minute A.07/11 refers), the Street Scene Manager (Service Development) presented a report that sought to review the current provision of parking permits in off-street car parks and set out some recommendations for the rationalisation of them. The officer further informed the Committee that the Economy and Environment Scrutiny Panel had discussed the same issue at their recent meeting and had made a number of recommendations (minute E.28/11 refers)

It was then:

RESOLVED

That the Audit Committee has considered the report and wishes to express its support for the recommendations made by the Economy and Environment Panel at its meeting on 24 November 2011 (minute E.28/11 refers).

(Meeting commenced at 2.00 pm and concluded at 2.55 pm)

Chairman