

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON 28 SEPTEMBER 2011**

**MEMBERS**

<b>Members in attendance</b> * Denotes attendance			
*	Cllr I Bramble	*	Cllr J M Hodgson
*	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr B F Cane		

<b>Also in attendance and participating</b>	
Cllrs M J Hicks, P W Hitchins, and T R Holway	

<b>Officers in attendance</b>	
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.13/11 MINUTES**

The minutes of the meeting of the Audit Committee held on 14 July 2011 were confirmed as a correct record and signed by the Chairman.

**A.14/11 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.15/11 AUDIT COMMISSION PROGRESS SUMMARY TO 15 SEPTEMBER 2011**

Members noted the contents of the Progress Summary.

**A.16/11 AUDIT COMMISSION ANNUAL GOVERNANCE REVIEW**

Members considered the Annual Governance Review which set out the results of Audit Commission's audit of the Financial Accounts. Subject to the clearance of outstanding matters, the Audit Commission would issue an unqualified opinion on the accounts and an unqualified conclusion stating that the authority had adequate arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

The District Auditor noted that the workload of the Council's Finance Team had been dominated by the requirement to adequately prepare for and implement the new International Finance Reporting Standards on Financial Reporting (IFRS) and he was pleased to report that Officers had successfully dealt with this implementation.

In terms of key messages, there were few errors, none of which were material. With regard to the quality of the financial statements, the Audit Commission recommended that the Authority implement more rigorous Quality Assurance checks. He also asked that information requested by the Audit Commission from the Council's Valuer be provided in a timely manner. In terms of Value for Money, the Authority had scored well for Use of Resources, the Council had agreed a balanced and robust budget and the Council's reserves were adequate and also robust. Financial and risk management systems were also operating effectively.

In concluding this item, the Chairman expressed thanks to the Council's Finance Team for the hard work they had expended on implementing IFRS, particularly as the guidance on this had not been very clear. He went on to say that this was a very satisfactory report and Council officers should be complimented on their effective approach to financial management.

It was then:

### **RESOLVED**

That the Annual Governance Report be noted and accepted.

#### **A.17/11      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 August 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.18/11

**REVISION OF THE CONTRACT PROCEDURE RULES**

The Chief Internal Auditor informed that the Contract Procedure Rules (CPR) had required updating as a result of internal management changes, the shared services agenda and the introduction of the Bribery Act 2010 from 1 July 2011. The key amendments to the rules were;

- **Exemptions** – Changing the retrospective reporting of approved exemptions from the Executive to the Audit Committee;
- **Capital Programme** – additional controls over management of the programme, including monitoring of expenditure and approval of overspends;
- **Shared Services** – The equivalent document is to be presented to the West Devon Borough Council Audit Committee with as many of the arrangements aligned as possible having regard to the different governance arrangements; and
- **General** – various areas of improvement including reflecting the Bribery Act 2010, the process for the signing and storage of contracts, and responsibility changes from Strategic Directors to Heads of Service.

During the discussion, the following points were raised:

**Green Procurement:** A Member commented that the CPR did not appear to take account of sustainability issues or 'green procurement'. In response, the Officer informed the Committee that these rules were the set of standards to be adhered to and did not represent procurement policies. However, the Council did have a Sustainable Procurement Strategy.

**Approved Contractor Lists:** The Committee was informed that any approved list would have to be regularly updated to achieve value for money to the Council.

It was then:

**RECOMMENDED**

That full Council be **RECOMMENDED** to adopt the revised Contract Procedure Rules (Appendix A to the presented report) and the revised exemption process and its inclusion in the Council's Constitution.

A.19/11

**ANTI FRAUD, CORRUPTION AND BRIBERY POLICY AND STRATEGY; AND BENEFIT FRAUD PROSECUTION AND SANCTION POLICY**

The Chief Internal Auditor presented a report that set out the revised Anti Fraud, Corruption and Benefit Policy and Strategy. The previous version, whilst fit for purpose, had been required to be updated in response to the introduction of the Bribery Act 2010 from 1 July 2011, the shared services agenda and reflected the zero tolerance by the Authority to fraud, corruption and bribery. One of the key changes had been the removal of the detailed Fraud, Corruption and Bribery Response Plan into a separate document which was available on the intranet. The Benefit Fraud Prosecution and Sanction Policy (Appendix B) remained unchanged.

It was then:-

**RECOMMENDED**

That full Council be **RECOMMENDED** to adopt the Anti Fraud, Corruption and Bribery Policy and Strategy, and the Benefit Fraud Prosecution and Sanction Policy 2011

A.20/11

**AUDITED STATEMENT OF ACCOUNTS 2010/11**

The Chairman introduced a report on the Annual Statement of Accounts 2010/11 which set out a summary of the net revenue and capital expenditure for Members consideration and ultimate approval.

During the discussion, the following points were raised:

Members were informed that:

- Up to 85% of the £1,250,000 deposited with the Icelandic Heritable Bank would eventually be paid back. To date the Administrators had paid seven dividends;
- Planning application income had risen due to the increase in larger scale developments at the end of the financial year;
- New arrangements for Grounds Maintenance had been cost effective;
- That the Council continued to receive income by way of a portion of sales from properties sold by Tor Homes but which had previously been Council owned stock.
- That private firms tended to cherry pick areas with a higher density of customers with regard to Trade Waste, which meant the Council was left to provide a service to more isolated areas at a higher cost with less economy of scale;
- That lower ferry income had been impacted by the ferry being out of action for three weeks due to a maintenance issue;
- That the Council had a strict counter party list in terms of where it could invest and continued to adopt a low risk investment strategy.

It was then:-

### **RESOLVED**

That the report be noted and Members approve the:-

1. Wording of the Letter of Representation as set out in Appendix A to the presented report and;
2. The audited Statement of Accounts as set out in Appendix B to the presented report.

In concluding, the Chairman, on behalf of the Committee wished to formally thank the Audit Manager (Audit Commission) for all the work he had undertaken at South Hams during his long and arduous career and the Deputy Leader also wished to extend his thanks and appreciation.

(Meeting commenced at 10.00 a.m. and concluded at 11.30 am)

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Chairman