

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON 5 APRIL 2011**

MEMBERS

* Cllr J T Pennington - Chairman

* Cllr P Coulson - Vice-Chairman

* Cllr B F Cane

∅ Cllr M Hannaford

* Cllr R F Croad

* Denotes attendance

∅ Denotes apology for absence

Also in attendance and participating:

Cllr M J Hicks

Officers in attendance:

For all agenda items – Head of Financial Services, Internal Audit Manager, Audit Manager (Audit Commission), District Auditor (Alun Williams) Audit Commission), Risk and Health and Safety Advisor and Member Support Officer.

A.34/10 **MINUTES**

The minutes of the meeting of the Audit Committee held on 7 December 2010 were confirmed as a correct record and signed by the Chairman.

A.35/10 **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.36/10 **AUDIT COMMISSION PROGRESS SUMMARY TO 18 MARCH 2011**

The Audit Manager informed the Committee of work currently in progress since its last meeting. The interim audit 2010/11 work was now drawing to a close and he was satisfied that progress was being made in regards to the authority's preparation for International Financial Reporting Standards. The reports that had been issued by the Audit Commission since the last meeting were Certification of Claims and Returns annual report 2009/10, Joint Working Protocol for the Financial Statements Audit and a summary of the main changes in the audit arising from clarification of the International Standards on Auditing (ISAs).

A.37/10 AUDIT COMMISSION – CERTIFICATE OF CLAIMS AND RETURNS

The Audit Manager confirmed that the overall conclusion of the Audit Commission was that the control environment for managing grant claims at the Council was generally good. Three claims had been certified. These were Housing and Council Tax Benefit, National Non-Domestic Rates return and Disabled Facilities. A qualification letter had been issued in respect of the Housing and Council Tax Benefits Claim, as a sample test had found one case where benefit had been underpaid. The authority identified that three other errors had also occurred and appropriate adjustments were made to systems to ensure this would not happen again in the future.

A.38/10 PROTECTING THE PUBLIC PURSE 2010 (FIGHTING FRAUD AGAINST LOCAL GOVERNMENT AND LOCAL TAXPAYERS)

The Internal Audit Manager informed Members that in 2010, the Audit Commission had recommended that Councils use a checklist to ensure that they had sound governance and counter-fraud arrangements. This had been presented to the Audit Committee at their meeting in April 2010. In December 2010, the Audit Commission introduced an updated paper 'Protecting the Public Purse 2010 – Fighting Fraud Against Local Government and Local Taxpayers', which cited a further number of recommendations.

The Council's Anti-Fraud and Corruption Strategy; Fraud and Corruption Response Plan; and Benefit Fraud Prosecution and Sanction Policy were recommended to the Council for adoption by the Audit Committee in April 2008. Although these documents were still considered fit for purpose, they were now due for review. However, it was possible that the Strategy, Response Plan and Benefit Fraud Prosecution and Sanction Policy, would now need amending to reflect any requirements of the Bribery Act 2010. CIPFA were conducting workshops during March 2011 and therefore it was considered sensible to delay updating the Council's documents until this guidance had been assimilated.

It was then:-

RESOLVED

1. That the position of the Council against the checklist included in the Audit Commission publication 'Protecting the Public Purse 2010 (Fighting Fraud against Local Government and Local Taxpayers) (October 2010) has been considered and noted accordingly; and
2. That the intention to retain the 2008 Anti-Fraud and Corruption Strategy in the short term and the commitment to updating the document at a later Audit Committee in 2011 be noted.

A.39/10 INTERNAL AUDIT STRATEGY AND TERMS OF REFERENCE 2011/12

The CIPFA Code of Practice and Audit Manual required Members to review and approve the Terms of Reference and Audit Strategy. The Terms of Reference had previously been updated and presented to the Committee in April 2010 and they had been found fit for purpose. The Committee, therefore, was now only required to review the Internal Audit Strategy 2011/12.

During discussion on the Internal Audit Strategy 2011/12, the following points were raised:

Loss of 80 days and 85 days: The Internal Audit Manager informed Members that the provision of the audit service to West Devon Borough Council had resulted in a loss of 80 days to the South Hams District Council Internal Audit Plan 2010/11 and 85 days in 2011/12. This loss would be mitigated by reducing previously three yearly audits to five years on systems which were considered to be at a lower risk. Higher risk systems would continue to be audited every year. However, the officer did have regard to the Audit Opinion which he gave to the Audit Committee. He went on to say that there were no resources to accommodate an investigation, should one be required, at West Devon, whereas there were 50 contingency days incorporated into the South Hams Internal Audit Plan. This would therefore have to be monitored over the next twelve months. However, the authority was in close contact with the Devon Audit Group which could potentially be a source of extra resources.

A Member raised concerns about the potential for misappropriation between the two authorities in such a circumstance and asked for clarification on how cross subsidisation of budgets would be avoided. The Internal Audit Manager informed that timesheets were maintained and monitoring reports produced and the risk was therefore limited to fabrication of those documents by himself, and this would be detected by the Audit Commission.

It was then:-

RESOLVED

That the Internal Audit Strategy 2011/12 has been reviewed and found to be satisfactory.

A.40/10 INTERNAL AUDIT PLAN 2011/12

Members considered a report that provided them with the opportunity to review and comment on the Internal Audit Plan for 2011/12. The plan was based on the five year Audit Plan 2010/11 to 2014/15 which had been accepted by the Audit Committee in April 2010.

During the discussion, the following points were raised:

RDPE Local Action Groups: The Group was informed that whilst the Local Action Groups had now been suspended, at least 92% of their funding had been committed which meant that the auditing work was at its peak, as each claim had to undergo the same auditing processes, regardless of the value of the claim. The Internal Audit Manager informed that if officers overspent on this work, in terms of days allocated, they would consult with the committee with regards to where time could be reallocated.

The issue of the shortfall in reimbursement for the auditing work was discussed and it was noted that a recommendation by the Prosperity Policy Development Group (minute PPDG.17/10 refers) was that the Business Support Officer be asked to request from Devon Renaissance full reimbursement of the costs to the authority to undertake the audit work for the LAGs. This recommendation was subsequently endorsed by the Executive at its 7 April 2011 meeting (minute E.106/10(a) refers). The Internal Audit Manager proceeded to emphasise that the report that had been presented to the PPDG had aimed to highlight the value to the Community that the funding had provided.

It was then:-

RESOLVED

That the Internal Audit Plan 2011/12 and the linked 2011/12 Computer Audit Plan have been reviewed and commented upon.

A.41/10 PROGRESS AGAINST THE 2010/11 INTERNAL AUDIT PLAN

The Internal Audit Manager presented a report which informed Members of the principal findings of the Internal Audit Section of Financial Services for 2010/11 to 28 February 2011.

During the discussion, the following points were raised:

Amendments to the Plan: Two days only of the current plan had been used for the Single Status audit, and fifty two days had been added for the RDPE Grant work as the planned Elections or Shared Services audits had been carried forward into the forthcoming 2011/12 plan.

Elections: Members were informed that internal audit of elections looked at, for example, such processes as the way staff were recruited for polling and vote counting duties and the expenditure of polling station room hire and where they were also required under law to provide the Returning Officer with any resources necessary for him/her to fulfil their duties.

In light of the Committee wishing to then discuss elements of the exempt appendices, it was then:-

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 Internal Audit Manager 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 progress made against the plan has been considered and commented upon.

A.42/10

RISK MANAGEMENT QUARTERLY REVIEW

The Risk and Health and Safety Advisor presented a quarterly report that updated Members on risk management activity.

The officer specifically updated Members on:-

The Risk Management Strategy: He informed that a full review of the strategy was being undertaken and that it was intended that a Joint Strategy with West Devon Borough Council be produced. This would be completed on the conclusion of the senior management review.

Risk Assessment Matrix: The matrix had been revised into a 5 x 5 matrix and action was being taken to update the register with actions that had arisen during the transition process. Alignment of the registers of the two Councils was also being progressed. Members were informed that changing to the 5 x 5 matrix would assist the alignment of the two risk registers.

Business Continuity: A national emergency flooding exercise had been undertaken in March 2011 conducted by Defra and the Welsh Assembly Government. The Council ran a table top exercise in March 2011 to test elements of the business continuity plan which involved a flood at the Totnes Depot. The results highlighted that the site would be rendered unusable. As a result, the plan would be re written.

It was then:-

RESOLVED

That the progress made on risk management be noted.

In concluding the meeting, the Chairman thanked all the Members for their involvement in the Committee during the past year. Furthermore, as it would be his last public meeting as a District Councillor, Cllr Croad also wished to express his thanks to colleagues and staff for the support he had been given throughout his time serving as an elected South Hams District Council Member.

(Meeting commenced at 10.00 a.m. and concluded at 11.15 a.m.)

Chairman