

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON 14 JUNE 2012**

Members in attendance			
* Denotes attendance		∅ Denotes apology for absence	
*	Cllr I Bramble	*	Cllr L P Jones
∅	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
*	Cllr A S Gorman		

Members also in attendance
Cllr M J Hicks (Deputy Leader)

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Head of Finance and Audit, Chief Internal Auditor, Risk and Health and Safety Advisor and Member Support Officer; Also: Audit Manager and District Auditor (Audit Commission)

A.01/12 MINUTES

The minutes of the meeting of the Audit Committee held on 5 April 2012 and the joint meeting of the Audit and Standards Committee held on 5 April 2012 were confirmed as a correct record and signed by the Chairman.

A.02/12 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.03/12 AUDIT COMMISSION – AUDIT COMMITTEE UPDATE 2011/12

Members were informed that there was no further update but that the Audit Commission was finalising its work on the IT risk assessment and would be commencing work on the Housing Benefit subsidy claims.

After consultation, the Audit Commission had agreed the work programme and fees scales for 2012/13 audits of health and local government bodies and letters had been sent out.

With regard to Payment by Results schemes, the Audit Commission had published a briefing paper which considered the potential issues arising from local authorities using this method when commissioning and paying for services. The briefing paper outlined five key principles that any such scheme would need to meet in order to succeed. These being:

- A clear purpose;
- A full understanding of the risks;
- A Well-designed payment and reward structure;
- Sound Financing; and
- Effective Management and evaluation.

The purpose of the briefing paper had been to start the debate. The Audit Manager agreed to send the full briefing paper to the Head of Finance and Audit.

It was then:

RESOLVED

That the report be noted.

A.04/11

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT 2011/12

Members considered a report that provided them with assurance that the System of Internal Audit was in place and effective. In order to produce the Annual Governance Statement, the Council required the Chief Internal Auditor to review the effectiveness of the system of internal audit.

During the discussion, the following points were raised:

Assessing Fraud Risks:

The Chief Internal Auditor informed that there had been no increase in fraud as a result of the economic downturn outside of the realm of benefits, and this area was considered by a dedicated Benefits Fraud Team.

Members wished for this topic to be revisited at its meeting in September 2012 as it had been highlighted at the annual workshop that this was a key area to report on.

Local Action Groups:

It was noted that the authority received £5,000 per Local Action Group (LAG) for auditing services, but that this did not adequately reimburse the Council for the officer time expended. However, the authority was mindful that local community projects did benefit considerably from the grant funding. The Chief Internal Auditor agreed to keep the Committee informed.

It was then:

RESOLVED

That the Audit Committee had considered the findings on the effectiveness of the system of internal audit 2011/12 and found it to be satisfactory.

A.05/11 **JOINT ANTI-LAUNDERING POLICY**

Members considered a report that sought approval of an aligned policy with West Devon Borough Council which had been written with regard to legislation and local circumstances. The key changes from the previous policy were:

- Appointing the S.151 Officer (Head of Finance and Audit) as the Money Laundering Reporting Officer (MLRO) at both Councils;
- Appointing the Council's Chief Accountants as Deputy MLRO for their respective Council;
- Non acceptance of cash above £10,000 in a single transaction;
- Introducing procedures for Client identification in certain circumstances.

During the discussion, the following points were raised:

Money Laundering:

Members were informed that they would not report e.g. commercial establishments paying non domestic rates in cash, unless there was a 'suspicion' of money laundering, and not by virtue of the transaction being in cash.

Tax Avoidance:

It was noted that cash payments might be tax avoidance, but that it was not the role of the authority to determine this as they were not an investigating authority.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** to formally adopt the revised Anti Money Laundering Policy.

A.06/12 **INTERNAL AUDIT – ANNUAL REPORT AND OPINION ON THE ADEQUACY OF INTERNAL CONTROL 2011/12**

Members considered a report that informed them of the principal activities of the Internal Audit section of Finance and Audit during 2011/12.

Locality Funds:

Members questioned what controls were in place to ensure that the Sustainable Community Locality Grant Fund was spent legitimately and as intended. The Chief Internal Auditor agreed to report back on this issue to a future meeting of the Committee.

In light of the Committee wishing to discuss elements of the exempt appendix, 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.

It was then:-

RESOLVED

That the public and press be readmitted.

It was then:-

RESOLVED

That the report and the Chief Internal Auditor's Opinion on the Adequacy of Internal Control be noted.

(Meeting commenced at 10.30 am and concluded at 11.45 pm)

Chairman