

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON 10 JANUARY 2013**

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		

Other Members in attendance and participating
Cllr B E Carson and M J Hicks

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Chief Accountant, Chief Internal Auditor, and Member Support Officer, Audit Manager - Grant Thornton

A.19/12 MINUTES

The minutes of the meeting held on 27 September 2012 were confirmed as a correct record and signed by the Chairman.

A.20/12 DECLARATIONS OF INTEREST

Members and officers 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.21/12 GRANT THORNTON CERTIFICATION WORK REPORT 2011/12

Grant Thornton presented the Certification work report for 2011/12 which summarised the work of the previous auditors, the Audit Commission's in-house Audit Practice. The report summarised the external audit assessment of the Council's management arrangements in respect of the certification process. The findings set out also represented the results of the previous auditor's work.

During the discussion, a Member noted that the housing benefit subsidy claims presented for certification for both the 2010/11 and 2011/12 financial year had incurred the same error by virtue of the omission of the final payment run being excluded from the relevant financial year's claim. The point was made that the approach adopted in 2010/11 had not been questioned by External Audit, but the Chief Accountant assured Members that the end of year procedures would be carefully reviewed to ensure that the expectations of External Audit were met in the future and this error would not be incurred again.

A Member noted that the Committee would also closely monitor the end of year procedures.

It was then

RESOLVED

That the Certification Work Report be noted/

A.22/12 **ANNUAL AUDIT FEE 2012-13**

Following the conclusion of the Audit Commission's procurement exercise to outsource the work of its audit practice, the Audit Commission had been able to secure significant reductions in the cost of audit services and were passing on reductions of 40% in audit fees for local government bodies from the previous arrangements.

Members were further assured that they would be presented with similar reports to those seen in prior years and high level summaries on the results of risk assessments in the future.

It was then

RESOLVED

That the Annual Audit Fee 2012-13 be noted.

A.23/12 **FINANCIAL PROCEDURE RULES 2012**

The Chief Internal Auditor presented a report that enabled Members to review the updated and aligned Financial Procedure Rules 2012 to enable them to recommend adoption of them and the related financial limits to the Council.

During the discussion, the following points were raised:

Paragraph 2.15: Project Overspends: Members noted the reference to 'retrospective' reporting to the Executive by the Head of Assets when approved expenditure in the capital programme was likely to be exceeded. Members expressed the view that reporting on likely overspends should be reported at an earlier stage. The Deputy Leader highlighted that any likely overspend on a sizeable project would be communicated to the Executive Lead Member for Assets in a timely manner and the Chief Internal Auditor informed that monitoring reports of capital expenditure, including overspends, were presented to the Executive on a regular basis.

The Deputy Leader emphasised that the purpose of retrospective reporting was to enable projects to proceed and to avoid unnecessary time delays. Members highlighted that the wording in the procedures implied that retrospective reporting on overspends was allowable up to a value of £500,000. The Chief Internal Auditor agreed to add an extra paragraph to clarify that overspends were an exception and to add early informing of the appropriate lead Executive Members.

Paragraph 4.12: Contingency Days: Members were informed that Contingency days were used for many situations, including dealing with any allegation of fraud or corruption. Currently, 55 days were allocated and this had proven sufficient in the past and the Chief Internal Auditor expressed that he would not wish to see this allocation reduce significantly. Use of the Contingency time was reported to the Committee quarterly.

Paragraph 5.7: Bank Reconciliation: Members were informed that whilst a summary reconciliation was carried out on a monthly basis, the bank reconciliation process was actually undertaken daily.

Paragraph 6.16: Virement (Budget Changes): The Chairman felt the word 'discretion' for the Head of Finance & Audit to report virements to the Executive, undermined the two tables at 6.18 and said these should be considered together. The Chief Internal Auditor agreed to link the two paragraphs.

Paragraph 6.27: Using Funds Held Under S.106 agreements: The Committee felt that, prior to the approval of the use of funds over £30,000 by the Executive for South Hams, or the Resources Committee for West Devon Borough Council, these bodies should receive a report from the Head of Service and Head of Finance and Audit, 'following consultation' with the relevant Ward Member. The Chief Internal Auditor agreed to add this to Paragraph 6.27.

Paragraph 17.1: Partnerships: Members wished to see 'to generate efficiencies and cost savings' added to the main reasons for entering into a partnership. The Chief Internal Auditor agreed to make this change.

It was then

RECOMMENDED

That the Council be **RECOMMENDED** to approve the updated and aligned Financial Procedure Rules and its inclusion in the Council's Constitution, subject to the amendments as outlined above.

A.24/12 **PROGRESS AGAINST THE 2012/13 INTERNAL AUDIT PLAN**

Members considered the report that informed them of the principal activities and findings of the Council's Internal Audit Team for 2012/13 to 30 November 2012.

During the discussion, the following point was raised:

RDPE Grants: Members were informed that the audit time allowed in the plan was likely to be exceeded, due to the fact that the number of projects submitted had not reduced as expected. The Chief Internal Auditor reminded members that the same amount of audit officer resource was required per grant regardless of the amount of funding being allocated.

In light of the Committee wishing to 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 7 of Part 1 of Schedule 12A to the Act.

Members then discussed the exempt appendices, and officers 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 Audit Committee notes the progress made against the 2012/13 Internal Audit Plan and has commented on the issues arising.

(Meeting commenced at 2.00 pm and finished at 4.00 pm)

Chairman