

## **AUDIT COMMITTEE**

### **Minutes of the Meeting held on 24 September 2012 at 4.30 pm in the Council Chamber, Williton**

#### **Present**

Councillor A H Trollope-Bellew .....Chairman

Councillor M J Chilcott  
Councillor R P Lillis

Councillor S Y Goss  
Councillor P H Murphy

#### **Members In Attendance**

Councillor K V Kravis

#### **Officers In Attendance**

Chief Executive (A. Dyer)  
Section 151 Officer (S. Campbell)  
Principal Accountant/Deputy Section 151 Officer (S. Plenty)  
Finance Officer (P Disney-Walford)  
Meeting Administrator (H. Dobson)

#### **Also In Attendance**

Peter Lappin, Audit Manager, Audit Commission  
Alun Williams, District Auditor, Audit Commission  
Chris Gunn, Group Audit Manager of South West Audit Partnership (SWAP)  
Claire Hodgson, Audit Manager of South West Audit Partnership (SWAP)

#### **A16 Apologies for Absence**

Apologies for absence were received from Councillors E May and K M Mills.

The Committee wished to record that they were sorry to see the Section 151 Officer, Graham Carne, leave the authority, and wished him luck for the future. However, they were pleased to welcome the new Section 151 Officer, Sharon Campbell, seconded from Somerset County Council for two days a week.

The Chairman read out a letter received from Rev. V Woods, Independent Member of the Audit Committee. He wished to tender his resignation with immediate effect due to recent health issues and the fact that he had perceived the Audit Committee to be much sharper and professional than before with a better understanding of what was required of them. He felt, therefore, that the need for an Independent Member was not required for the time being. He wished to thank the Council for giving him the opportunity to assist and the officers for their courtesy.

**RESOLVED** that the Audit Committee reply to Rev. V Woods thanking him for volunteering his time and assistance in his role as an Independent Member and for the complementary remarks relating to the Audit Committee.

Note: Due to the use of microphones interrupting the meeting held in Chamber 2 the Chairman decided to suspend recording the rest of the meeting.

#### **A17 Minutes**

(Minutes of the Meeting of Audit Committee held on 25 June 2012, circulated with the Agenda).

**RESOLVED** that the Minutes of the Meeting of Audit Committee held on 25 June 2012 be confirmed as a correct record.

#### **A18 Declarations of Interests**

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

<b>Name</b>	<b>Minute No</b>	<b>Description of Interest</b>	<b>Personal or Prejudicial</b>	<b>Action Taken</b>
Cllr S Goss	All	Stogursey	Personal	Spoke and voted
Cllr A Trollope-Bellew	All	SCC	Personal	Spoke and voted
Cllr P H Murphy	All	Watchet	Personal	Spoke and voted

#### **A19 Public Participation**

No members of the public had requested to speak.

#### **A20 Audit Committee Action Plan**

(Audit Committee Action Plan, circulated with the Agenda).

The Finance Officer advised Members that the Hinkley report would be presented at the next meeting of the Audit Committee and wished to reassure Members that work was progressing.

In response to questions the Chief Executive advised that the Project Implementation Officer had been in contact with parish and town councils with regard to the third bullet point relating to communities being given time to put together any bids for Section 106 monies.

**RESOLVED** that the Audit Committee Action Plan be noted, and that the third bullet point relating to communities being given time to put together any bids for Section 106 monies, be added to the Forward Plan.

#### **A21 Audit Committee Forward Plan**

(Audit Committee Forward Plan, circulated with the Agenda).

The Chief Executive advised that the South West Audit Partnership were considering changing their form into a company limited by guarantee which would require approval by members, likely, in January 2013.

**RESOLVED (1)** that, subject to the changes listed, the Audit Committee Forward Plan be noted:

- (i) consideration of an Independent Member be added to the next meeting of the Audit Committee,
- (ii) clarification as to what has been done to help parishes maximise Hinkley Section 106 monies, be added to the next meeting of the Audit Committee,
- (iii) statement of the current Hinkley section 106 funding position, be added to each meeting.

**RESOLVED (2)** that the next meeting of the Audit Committee scheduled for 30 November 2012 be changed to an appropriate date, yet to be decided, to allow consideration of the proposed change to the governance arrangements of the South West Audit Partnership.

## **A22 Annual Governance Report**

(Annual Governance Report, circulated with the Agenda).

The purpose of the report was to receive the draft Annual Governance Report from the Audit Commission and consider its content prior to approving the accounts. At the time of writing the report the audit is still ongoing, any changes to the Governance report will be tabled at today's meeting.

The District Auditor for the Audit Commission, summarised the key messages: that he expected to issue an unqualified audit opinion, and the errors identified in the Movement in Reserves Statement for 2011/12 had been corrected. Further, with regard to Value for Money he confirmed that he would issue a qualified conclusion stating that the Council did have the financial arrangements in place to secure economy, efficiency and effectiveness in the use of its resources, except for the Council's arrangements for securing financial resilience when it was predicted there would be an excess of expenditure over income in the years 2013/14 to 2015/16.

He advised that the recommendations as set out in Appendix 4, attached to the agenda, had all been discussed and agreed with officers, there were no contentious items. Finally, he confirmed that the Letter of Representation was a standard part of the process and therefore he requested that the Audit Committee give its approval.

The Chief Executive confirmed that he, together with the Efficiencies and Performance Manager, would further develop the Council's benchmarking to inform its spending priorities and had sought assistance from SPARSE in this matter. He also advised that the Statement of Accounts for the following year would include the impact of Hinkley C.

Members thanked the finance team for their work in producing the Statement of Accounts by the required deadline.

**RESOLVED (1)** that, the Letter of Representation be signed by the Chief Executive.

**RESOLVED (2)** that the Annual Governance Report be noted.

**RESOLVED (3)** that the Action Plan at Appendix 4 of the report, attached to the agenda, be approved.

### **A23 Audited Statement of Accounts**

(Report No. WSC 12812, circulated with the Agenda).

The purpose of the report was to request that the Audit Committee review the audited Statement of Accounts for the year ended 31 March 2012, prior to its signature by the Chair of the Committee and the Deputy Section 151 Officer.

Members raised concerns regarding the size of the pension deficit; the fact that as staff numbers reduce the pension costs would increase; and how the pension would be affected should the Council be considered not viable, in the future. In response the Section 151 Officer advised that she would make enquiries regarding the concerns raised with the Pensions Manager at Somerset County Council.

The Deputy Section 151 Officer confirmed that Hinkley Section 106 monies would be included in the Accounts for 2012/13, in Table 22 or within the Movement of Reserves Statement.

The Chief Executive confirmed that thought would be given regarding how to make communities aware of the Section 106 monies available to them depending on restrictions put on the monies.

Members noted that the Scrutiny Committee would be looking at how Hinkley Section 106 monies were to be used.

The Chief Executive gave the necessary assurance that taking into account the current level of reserves and savings already achieved that were not included in the budget, a balanced budget for 2013/14 could be put forward for approval.

**RESOLVED (1)** that the Audited Statement of Accounts be approved.

**RESOLVED (2)** that Chairman of the Audit Committee signs and dates the balance sheet.

**RESOLVED (3)** that the Council's Deputy Section 151 Officer re-signs and dates the Accounts.

**RESOLVED (4)** that the Accounts and relevant certificates be published on the Council's website.

**RESOLVED (5)** that the Section 151 Officer provide a verbal update on the concerns raised relating to pensions, at the next appropriate meeting of the Audit Committee.

### **A24 SWAP Governance Arrangements**

The Group Audit Manager of South West Audit Partnership provided a presentation on the proposed changes to the SWAP governance arrangements. Currently, the partnership was a Joint Committee operating under the Section 101, Local Government Act 1972, since 2005, which was suited to 2 – 3 partners. Over

time the partners had increased to 12, covering five counties, which made reaching decisions difficult, as all partners must be represented. One of the proposed changes would be to become a Company limited by guarantee. He stressed there would be no changes in service delivery, and the company would remain a not-for-profit partnership.

The event to be hosted on 10 October 2012, to which members had been invited, would look at various issues for going forward. A Partnership Board meeting, scheduled in January 2013, would look further at the future governance arrangements, and it could be possible that the current partnership would be dissolved on 31 March 2013, with SWAP becoming a Company limited by guarantee on 1 April 2013.

During the course of the discussion the following main points were raised:

- Concern about any potential financial liability regarding pensions to the Council and what was the risk of the liability happening.
- Looking to the future what were the ambitions of the partnership; would it be growth?
- As a company would SWAP start increasing charges?
- What were the implications if West Somerset Council did not join the company? Would it be possible to walk away and buy services as a contract? The Group Audit Manager advised that he would make enquiries.

In response to questions raised the Group Audit Manager advised that the partnership would continue to operate as a 'not for profit' organisation and continue to be owned by the authorities, this would help to ensure that fees were kept as low as possible. As well as looking to save money the partnership would seek to provide training, which would generate some income. Many of the questions raised at this meeting would be explored at the event to be hosted on 10 October 2012.

**RESOLVED** that the SWAP Governance Arrangements update, be noted.

#### **A25 Quarterly Review of Internal Audit Activity**

The purpose of the update was to provide a review of Internal Audit activity plus identify any level 4 and 5 control weaknesses.

Group Audit Manager of SWAP presented the report and advised that the completed audits, conducted in Quarter 2, 2012/13, all gave reasonable assurance hence there were no level 4 or 5 recommendations.

**RESOLVED** that the update on Level 4 and 5 recommendations for 2010/11, be noted.

The meeting closed at 6.00 pm.