

AUDIT COMMITTEE

Minutes of the Meeting held on 25 March 2013 at 4.30 pm in the Council Chamber, Williton

Present

Councillor A H Trollope-BellewChairman
Councillor E MayVice Chairman

Councillor S Y Goss
Councillor K M Mills

Councillor R P Lillis
Councillor P H Murphy

Members In Attendance

Councillor K Kravis

Officers In Attendance

Section 151 Officer (S Campbell)
Principal Accountant/Deputy Section 151 Officer (S Plenty)
Planning Manager (A Goodchild)
Principal Recovery Officer (S Perkins)
Meeting Administrator (H Dobson)

Also In Attendance

Peter Lappin, Audit Manager/Engagement Manager, Audit Commission/Grant Thornton
Ian Baker, Group Audit Manager of South West Audit Partnership (SWAP)
Claire Hodgson, Audit Manager of South West Audit Partnership (SWAP)

A38 Apologies for Absence

An apology for absence was received from Councillor M J Chilcott.

A39 Minutes

(Minutes of the Meeting of Audit Committee held on 28 November 2012, circulated with the Agenda).

RESOLVED that the Minutes of the Meeting of Audit Committee held on 28 November 2012 be confirmed as a correct record.

A40 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:

Name	Minute No	Description of Interest	Personal or Prejudicial	Action Taken
Cllr S Y 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
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In addition, Councillor A H Trollope-Bellew declared a personal interest in Item 15 Verbal update on the Pensions Deficit, he was a member of the County Council Pensions Committee – spoke and voted.

A41 Public Participation

No members of the public had requested to speak.

A42 Audit Committee Action Plan

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

Noted that the meeting scheduled for 16 July would be changed to 22 July and that refresher training on the draft accounts be conducted beforehand at 2.00 pm.

RESOLVED that the Audit Committee Action Plan be noted and that all completed actions be deleted.

A43 Audit Committee Forward Plan

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

RESOLVED that the Audit Committee Forward Plan be noted.

A44 Risk Management Strategy 2013 Update

(Report No. WSC 126/13, circulated with the Agenda).

The purpose of the report was to present to Members an updated Risk Management Strategy for comment and approval, in accordance with the roles and responsibilities of the Audit Committee.

The Section 151 Officer presented the report and advised that the amendments were minor and would ensure that high risks would be recorded in relevant service plans including mitigating actions, and if very high be included in the Corporate Risk Register.

In response to concerns raised the Section 151 Officer advised that she would confirm after the meeting as to whether the whole authority were using the risk management strategy and how the Committee could ensure that everyone in the authority considered risk management accordingly.

RESOLVED that the revised and updated Risk Management Strategy 2013, included as Appendix A to the report, be approved.

A45 Hinkley Point C section 106 (S106) Agreement (Site Preparation Works) – Financial Update

(Report No. WSC 47/13, circulated with the Agenda).

The purpose of the report was to provide a summary of the latest financial monitoring in respect of Hinkley Point C s106 contributions received, allocated and spent. The report also updates the Committee on the Hinkley financial governance audit review recently carried out by the South West Audit Partnership (SWAP), and on community development work being undertaken by West Somerset Council in relation to opportunities to access external funding and s106 impact mitigation monies.

The Planning Manager presented the report and advised that the main expenditure was staff related and the main issue was that the Phase 2 contributions had not been paid to date and there was no confirmation as to when it would be paid. The Financial Governance Audit was almost complete and the recommendations were considered by the Hinkley Point Corporate Management Team, no new significant issues were identified. Points 4.10 and 4.11 of the report, attached to the agenda, provided clarification as to how parishes/community organisations would be assisted to maximise the Hinkley s106 monies. The terms of reference for the scope of the SWAP review would be discussed at appropriate future meetings; democratic roles and responsibilities were discussed at the Corporate PAG and would be reported to Council in April.

In response to questions the Planning Manager did not anticipate that it was a risk that the Council would not be able to identify enough projects, but it would be challenging to focus spend in the areas which would be most impacted. With regard to s106 funds he was content in that the legal team had been able to ensure that there wasn't any 'wriggle room' from the developer perspective. He was not aware that the Council/partner organisations were in a difficult position with any of the funds at this time.

In response to a question regarding further clarification of the figure £220k, as mentioned in 4.10 of the report, he advised that appropriate officers would provide details after the meeting.

The Planning Manager confirmed that match funding was not a fundamental requirement of a bid for Hinkley funding, however if match funding were to be available the project was likely to be scored higher. In order to overcome potential disadvantages part of the Community Development Officer's role was to work alongside small organisations such as parishes and towns to help to identify opportunities and submit bids for match funding.

RESOLVED that the Hinkley Point C section 106 (S106) Agreement (Site Preparation Works) – Financial Update, be noted.

A46 Certifications of Claims and Returns

The Audit Manager reported that both claims were completed by the prescribed deadlines.

The Audit Manager presented the report and advised that the Housing Benefit and Council Tax Benefit Scheme claims and the Non-Domestic Rates return were received from the Council by the prescribed deadlines. The work of Grant Thornton included looking at prescribed testing and sample sizes, which equated to 20 council tax benefit cases and 20 rent allowance cases. The work highlighted

a couple of errors and as a result recommendations to address the issues were set out in Appendix C to the report.

RESOLVED that the Certification work report for 2011/12, be noted.

A47 Debt Analysis as at 31 December 2012

(Report No. WSC 44/13, circulated with the Agenda).

The purpose of the report was to provide the Audit Committee with an update on the level of debts outstanding to the Authority as at 31 December 2012.

The Principal Recovery Officer responded to questions raised by members, which mainly sought a more detailed understanding of the different streams of debt owed to the Council and its processes in place to recover debt.

The Principal Accountant noted the suggestion that another column be added to the Business Rates debt table to show amounts written off. He also suggested that a column showing what the original liability was for each year could also help to give the outstanding debt figures more context.

A further suggestion was made that in order to judge the effectiveness of recovery work it might be helpful to show how the Council's level of debt compares to comparable authorities.

Members noted that a debt analysis report would be presented to the Audit Committee each quarter and that the Principal Recovery Officer would attend the next meeting of the Audit Committee in July to assist with any queries.

RESOLVED that the Debt Analysis as at 31 December 2012, as contained in the report attached to the agenda, and suggested modifications to the report, be noted.

A48 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.

The Audit Manager of SWAP reported that the planned work for 2012/13 was either completed or in progress. The Hinkley operational report had not yet been completed but a draft had been sent to each of the three councils and it was expected to be finalised soon. She brought to Members attention the two priority 4 recommendations listed in Appendix C to the report, attached to the agenda, relating to guidance notes for writing reports and the requirement for regular updating of the contracts register.

The Chairman advised that he had been informed by the Corporate Director that the guidance notes relating to report writing were in-hand.

Members were concerned that concerns regarding the Contracts Register had been raised for some time and questioned the recommendation implementation date of March 2014 as it was a priority level 4. It was also questioned as to whether the details expected in the register would be relevant and did it need

updating? Once completed what would the benefit be and what would the risk be to the council if it were not updated?

The Section 151 Officer advised that the implementation of the recommendation would ensure that the Council complied with its corporate guidelines.

RESOLVED (1) that clarification be provided on why the priority 4 recommendation implementation date for Contracts Register was 31 March 2014, and be added to the Audit Committee Action Plan;

RESOLVED (2) that the report of Internal Audit Activity for Quarter 4, 2012/13, be noted.

A49 Internal Audit Plan 2013/14

The Audit Manager of SWAP reported that the Audit Charter would be presented to the Committee at a later meeting due to the recent governance changes of the SWAP.

The number of audit days had been reduced from 240 in 2012/13 to 167 in 2013/14, at the request of the Council.

RESOLVED that the Internal Audit Plan 2013/14, be noted.

A50 Accounting Policies – 2012/13 Statement of Accounts

(Report No. WSC 43/13, circulated with the Agenda).

The purpose of the report is to request that members of the Audit Committee approve the Accounting Policies for 2012/13 so that the Statement of Accounts can be prepared on this basis.

RESOLVED that the Accounting Policies, as detailed in Appendix A attached to the report, be approved.

A51 Consideration of an Independent Member

Members of the Committee discussed whether they felt that it was necessary at this time to appoint an Independent Member. Generally, Members believed that currently they did not feel that it was necessary and that it would be prudent to review the situation in one year's time.

RESOLVED that consideration of an Independent Member be scheduled for the Audit Committee meeting to be held on 24 March 2014.

A52 Verbal Update on the Pensions Deficit

The Section 151 Officer provided a verbal update on the pensions deficit to the effect that she had met with Anton Sweet the Investments Manager and Steve Morton who managed the pensions administration team. Currently the deficit was around £5M, another valuation would be undertaken later in the year which was likely to impact the figure. The Council funded the deficit through revenue from its budget. The deficit was shown on the Medium Term Financial Plan and increases

by £40,000 per year. As long as the Council remained a legal entity the pensions would not crystallise, the deficit would continue to have to be funded by the Council. Wherever the council tax raising power resides that authority will bear the deficit. So should the council share staff and services with another authority the cost would still reside with West Somerset Council, however, the current costs would transfer with staff if staff transferred.

It was hoped that following changes to the scheme, coming into effect next year, there would be a reduction in the amount that the council have to fund, it was expected that the ongoing current services costs would decrease. Currently the council pay 13.9% employers' contribution to the pension fund, the changes could result in the contribution being reduced to 12%. An actuarial valuation was due in September 2013, if the Council wanted a valuation undertaken separately to look at its position the Council would have to fund it.

The Chairman advised that at the last meeting of the Pensions Committee it was resolved to write to the Department of Communities and Local Government to ascertain the process should a council become unviable.

RESOLVED that the pensions deficit update, be noted.

A53 Appointment of Director to SWAP

(Report No. WSC 45/13, circulated with the Agenda).

The purpose of the report was to agree West Somerset Council's representatives on the SWAP Board of Directors and the SWAP Members' Board.

The Section 151 Officer advised that since the changes to the SWAP governance arrangements it was necessary to appoint a director and member representative of the Council to attend SWAP Board meetings.

During the discussion Members believed that the Chairman of the Audit Committee deserved a special responsibility allowance, and that when Member's Allowances were next reviewed consideration be given to the aforementioned suggestion.

RESOLVED (1) that the Deputy Section 151 Officer be appointed to represent West Somerset Council on the SWAP Board of Directors;

RESOLVED (2) that the Chairman of the Audit Committee be appointed to represent West Somerset Council on the SWAP Members' Board.

The meeting closed at 5.13 pm.