

AUDIT COMMITTEE

Minutes of the Meeting held on 25 June 2012 at 4.30 pm in the Council Chamber, Williton

Present

Councillor A H Trollope-BellewChairman
Councillor E May Vice Chairman

Councillor M J Chilcott
Councillor R P Lillis
Councillor P H Murphy

Councillor S Y Goss
Councillor K M Mills
Reverend V Woods

Members In Attendance

Councillor K V Kravis

Councillor T Taylor

Officers In Attendance

Section 151 Officer (G. Carne)
Deputy Monitoring Officer (I. Timms)
Planning Manager (A. Goodchild)
Finance Officer (P Disney-Walford)
Principal Accountant (S. Plenty)
Accounting Technician (P. West)
Meeting Administrator (H. Dobson)

Also In Attendance

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)

A1 Apologies for Absence

No apologies for absence were received.

A2 Minutes

(Minutes of the Meeting of Audit Committee held on 26 March 2012, circulated with the Agenda).

RESOLVED that the Minutes of the Meeting of Audit Committee held on 26 March 2012 be confirmed as a correct record.

A3 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 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

In addition, Councillor A Trollope-Bellew, declared a personal interest in Agenda Item 15 – Draft Accounts 2011/12, he was a member of the Pensions Committee for Somerset County Council.

A4 Public Participation

No members of the public had requested to speak.

A5 Audit Committee Action Plan

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

RESOLVED that the Audit Committee Action Plan be noted.

A6 Audit Committee Forward Plan

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

In response to a question regarding the request as to whether the Audit Committee could look at section 106 monies not related to Hinkley C, the Section 151 Officer advised that once the Council had engaged with the South West Audit Partnership (SWAP) regarding the Hinkley C 106 arrangements, it was likely that internal audit would also look at the general 106 monies as well. He confirmed that a quarterly report was presented to Cabinet, which listed all the general 106 monies received from developers by parish.

RESOLVED that the Audit Committee Forward Plan be noted.

A7 Hinkley Point C Section 106 Agreement – Financial Governance Arrangements

(Report No. WSC 87/12, circulated with the Agenda).

The purpose of the report was to consider financial governance issues relating to the Hinkley Point C Section 106 Agreement.

The Lead Member for Resources and Central Support advised that it was important that the Council made sure that 106 monies were spent wisely and well. It was a vast amount of money with an enormous amount of issues. It was important that correct governance was in place, to ensure that the Council were open and transparent, and to ensure that the money was spent as stipulated.

The Section 151 Officer advised that this report would be going to Cabinet in July. The board would be made up of members from the three signatory councils (West Somerset, Sedgemoor and Somerset County) and EDF Energy and would consider projects that requested funding before making a recommendation to Cabinet (and Council, if required). The governance arrangements demonstrated

that the Council were extremely serious and that they would be in control of the money and knew what they were doing. He was aware of the concerns of the Audit Committee and the public who had concerns that the construction of Hinkley C was too big a project for such a small authority. He introduced the recently appointed Finance Officer who was the only dedicated Hinkley C finance member of staff.

The Finance Officer presented the report and advised that the approval process for the 106 monies was fairly well established. The financial governance such as, receiving contributions, paying them to other authorities, monitoring the spend, progress on projects, managing risk etc, was covered within the report. The governance arrangements would make it very clear to the outside world, that the Council were in control of a project of this size and scale and their own internal processes, which fit in with its' existing approach. The 106 had a multiplicity of funding streams coming through and the appendices of the report, attached to the agenda, showed the funding routes and responsible decision-making bodies etc. The Council had good financial governance already and were building on what was already in place. She explained that Table 1 in the report, attached to the agenda, sets out the key principles of effective financial governance and how the processes would be managed. Cabinet and the Corporate Management Team would receive a regular budget monitoring report covering all Hinkley section 106 spending. Any monies related to Hinkley were clearly ring fenced to Hinkley ensuring that the spend was visible and regularly monitored. The Council wanted to pool their resources across the three councils to be more efficient, and the other authorities were in agreement.

During the course of the debate the following points raised/addressed included:

- It was confirmed that SWAP might be able to comment on the proposed approach to managing and controlling the Hinkley section 106 funding streams in September, this was yet to be confirmed.
- The Finance Officer responded to a request and confirmed that the full statement of the current Hinkley section 106 funding position could go before Audit Committee.
- Concern that the impact to the Council of 'claw-back' by the developer could lead to bankruptcy: the assessment of that risk within the risk matrix, attached to the report, did not appear to reflect the assessment accurately. The Section 151 Officer agreed that the loss of reputation was as equally concerning as the potential financial position due to claw-back and confirmed that he would raise the impact to '5 (Catastrophic)', making the overall score '15 (High)'.
- A request that communities were given enough time to put together any bids for 106 monies. The Planning Manager advised that a ~~person~~ Project Officer had been recently employed who would help specifically with parishes to help West Somerset communities to maximise the 106 monies.
- It was confirmed that more information relating to risk would be included in the Cabinet report. Further, that a range of additional posts, such as the Finance Officer, had been employed to help mitigate the many risks identified in delivering the project.
- Concern was expressed that sufficient controls and checks might not be in place. The Finance Officer advised that as the framework was further developed the Council would need to look specifically at the risks and could put together a summary of the key risks and what procedures the Council had in place to mitigate those risks. This document could be included as part of the quarterly updates presented to the Audit Committee.

The Planning Manager advised that additional contaminated material had been found on the Hinkley site and could affect the timing of phase 2; it would be at least October and might not be until January 2013 before phase 2 would commence. Should EDF decide not to commence with phase 2, the funds secured so far relating to phase 1 would remain with the Council, and phase 2 funds would not be released as the impact of ~~the-those~~ works would not occur. The vast majority of the Hinkley related officers were in a service level agreement that was not linked to phase 1 or 2.

The Finance Officer noted the minor amendments put forward by members.

RESOLVED (1) that, subject to the inclusion of minor amendments, the Audit Committee recommend to Cabinet to approve the proposed governance arrangements set out in the report attached to the agenda, with regard to the management of Hinkley Point C section 106 contributions.

RESOLVED (2) that a report be presented to the Audit Committee at its' meeting scheduled for September 2012, following consultation on the proposed financial governance processes with the South West Audit Partnership.

A8 Audit of Financial Controls

(Audit of Financial Controls 2011/12, circulated with the Agenda).

The purpose of the report was for the Audit Commission to present their assessment of the adequacy of internal controls to the Committee.

The District Auditor of the Audit Commission presented the report and advised that it dealt with the work carried out so far; the first phase looked at the controls of the systems and no weaknesses had been recognised. The Commission made six recommendations, which were discussed with officers and actions were in place to implement them. The recommendations did not suggest there were any problems with the controls of the Council.

The District Auditor was thanked for the clear report.

Members congratulated the work conducted by the Finance Team as the Council was in a much improved position.

Concern was raised that although no weaknesses had been identified in key financial controls relating to Housing Benefits a weakness was identified relating to Agenda Item 10, Update on Level 4 and 5 Recommendations, regarding the e-claim system which did not require confirmation of details by claimants. In response the Group Manager – Housing and Economy advised that claimants ticked a box to confirm that they had supplied correct information, this was a legal statement.

The Section 151 Officer advised that he would report back with a more detailed report on how the e-claim system operated. Further, he noted that the procedural guidance notes be amended to in order that recommendations reflect the processes of the Council.

RESOLVED that the Audit of Financial Controls 2011/12, be noted.

A9 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 South West Audit Partnership (SWAP) provided a verbal update on Internal Audit activity and advised that all the quarter one reports were in progress and she anticipated that they could be given 'reasonable' assurance.

RESOLVED that the verbal update on Internal Audit activity, be noted.

A10 Update on Level 4 and 5 Recommendations

The purpose of the report was to provide an update on recommendations made during 2010/11 by the Council's Internal Auditors.

The Section 151 Officer advised that the report set out the Level 4 and 5 recommendations for 2010/11 and that most of the recommendations had been followed up in December 2011. Most of the actions were in hand or completed.

In response to a question the Section 151 Officer confirmed that the difficulties with the Northgate system would be resolved in time, notwithstanding this the system did provide a good service.

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

A11 Council Tax and NNDR Managed Audit Follow-up Report

(Council Tax and NNDR Managed Audit Follow-up Report, circulated with the Agenda).

The Section 151 Officer advised that the report provided an example of level 2 and 3 recommendations as requested at the last meeting of the Audit Committee. He advised that the level of resources available would be taken into account when considering whether it was possible/affordable to implement or partly implement level 1, 2 and 3 recommendations.

RESOLVED that the report be noted.

A12 Internal Audit Annual Report and Opinion

(Internal Audit Plan, Review of 2011/12, circulated with the Agenda).

The purpose of the report was to provide a review of the Internal Audit activity of the period April 2011 to March 2012, including any update on recommendation made, and an overall opinion to support the Annual Governance Statement.

The Section 151 Officer outlined the details in the report and highlighted, within the opinion, that the audit work found no issues to be raised with the Corporate Management Team.

During the course of the debate the Section 151 Officer confirmed that the recommendation to ensure that tender opening records were signed, dated and initialled by the witnesses present could be achieved before the agreed date of action. In response to concerns regarding PCI DSS submission he advised that he would investigate and advise the Committee of his findings.

RESOLVED that the content of the Internal Audit Plan – Review of 2011/12, be approved.

A13 Annual Review of Internal Audit

(Report No. WSC 86/12, circulated with the Agenda).

The purpose of the report was to review the effectiveness of Internal Audit, as delivered through SWAP (South West Audit Partnership) during 2011/12.

The Section 151 Officer advised that the table in 4.6.2 of the report, attached to the agenda, set out a summary of the work conducted by SWAP, which demonstrated that the work was adequate.

In response to questions the Section 151 Officer confirmed that:

- the two audits in progress at the end of March 2012 had been completed.
- there was scheduled capacity in the SWAP audit plan for 2012/13 to review Hinkley. Further, he would confirm whether the Council or EDF would pick up the cost of the audit.

RESOLVED (1) that, in order to fulfil the accounts and audit regulations, the Annual Review of Internal Audit be noted.

RESOLVED (2) that the findings of the review are that the system of Internal Audit is effective.

A14 Draft Accounts 2011/12

(Selected extracts of the draft Accounts 2011/12, circulated with the Agenda).

At the start of this item some updated selected extracts of the draft accounts 2011/12, a break down of debtors and creditors and earmarked reserves position were circulated.

The purpose of presenting the draft financial statements to the Audit Committee was to consider and comment upon the draft statements.

The Section 151 Officer advised that due to changes in regulations last year there was no longer a requirement for the Chairman of Audit Committee to approve the draft accounts. However, as an indicator of good practice the draft accounts would be presented to the Audit Committee. The only requirement in law was that the 151 Officer approved them prior to 30 June. He presented the accounts and advised that there was an underspend this year against the budget, and therefore

an increase in the general fund. Some of the earmarked reserves listed in document, distributed at the meeting, would be used to support this years' budget. The Hinkley monies were recognised in the accounts in the balance sheet under long-term creditors (receipts in advance).

The Section 151 Officer confirmed that he would add a note to the accounts that would show clearly the Hinkley C 106 monies and general finance.

After discussion with the Audit Committee the Section 151 Officer noted that a refresher session on the draft accounts be held later in the next municipal year to accommodate the deadline for the draft accounts, and that the first Audit Committee meeting of the municipal year be held in July.

RESOLVED that, subject to including an amendment above, the draft Statement of Accounts for 2011/12, be noted.

A15 Annual Governance Statement 2011/12

(Report No. WSC 85/12, circulated with the Agenda).

The purpose of the report was to review the Annual Governance Statement prior to its signature by the Leader of the Council and the Chief Executive.

The Lead Member for Resources and Central Support presented the report and advised that the statement set out that the Council had sound governance in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations.

In response to a concern that the equality impact assessments under 'significant governance issues' had been deleted, the Section 151 Officer advised that they were being conducted in a different way and were more embedded within the Council's processes.

The Section 151 Officer confirmed that the penultimate bullet point in the first core principle, of the Statement, be deleted and added to the third core principle.

RESOLVED that, subject to the inclusion of the amendment above, the Annual Governance Statement 2011/12, attached to the report as Appendix A, be approved.

The meeting closed at 6.35 pm.