

AUDIT COMMITTEE

Minutes of the Meeting held on 28 November 2012 at 4.30 pm in the Council Chamber, Williton

Present

Councillor A H Trollope-BellewChairman
Councillor E MayVice Chairman

Councillor R P Lillis
Councillor P H Murphy

Councillor K M Mills

Members In Attendance

Councillor D D Ross

Officers In Attendance

Section 151 Officer (S. Campbell)
Principal Accountant (S. Plenty)
Finance Officer (P Disney-Walford)
Meeting Administrator (H. Dobson)

Also In Attendance

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

A26 Apologies for Absence

Apologies for absence were received from Councillors M J Chilcott and S Y Goss.

A27 Minutes

(Minutes of the Meeting of Audit Committee held on 24 September 2012, circulated with the Agenda).

RESOLVED that the Minutes of the Meeting of Audit Committee held on 24 September 2012 be confirmed as a correct record.

A28 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
ClIr A Trollope-Bellew	All	SCC	Personal	Spoke and voted
ClIr P H Murphy	All	Watchet	Personal	Spoke and voted

In addition, Councillor A H Trollope-Bellew declared a personal interest in Item 5 Audit Committee Action Plan, he was a member of the Pensions Committee – spoke and voted.

A29 Public Participation

No members of the public had requested to speak.

A30 Audit Committee Action Plan

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

The Section 151 Officer informed that she had had a brief conversation regarding the concerns raised by the Audit Committee at their previous meeting relating to pensions and that she would report back to the Committee at their next meeting in March 2013, when she would have further information.

RESOLVED that the Audit Committee Action Plan be noted.

A31 Audit Committee Forward Plan

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

Members noted the large number of agenda items proposed for the next meeting of the Audit Committee and proposed that the start time be brought forward.

RESOLVED (1) that next meeting of the Audit Committee scheduled for 25 March 2013 commence at 3.30pm.

RESOLVED (2) that the Audit Committee Forward Plan be noted.

A32 Annual Audit Letter

(Annual Audit Letter, circulated with the Agenda).

The Audit Manager for the Audit Commission advised that the Annual Audit Letter was the last document that the Audit Committee would receive from the Audit Commission. The letter summarised the 2011/12 audit of West Somerset Council. He wished to express his thanks to the Section 151 Officer, the Principal Accountant and the Finance team for their assistance in making the process effective and efficient.

RESOLVED (1) that the Audit Commission be thanked for their service and professional advice given to West Somerset Council over the years.

RESOLVED (2) that the West Somerset Council Annual Audit Letter for 2011/12, be noted.

A33 Planned External Audit Fee Letter 2012/13

(Planned External Audit Fee Letter, circulated with the Agenda).

The Engagement Manager for Grant Thornton informed that on 1st November

2012 the majority of staff under the Audit Commission had transferred to Grant Thornton. He highlighted the fact that the main audit fee and grant certification fee for 12/13 were both significantly reduced by 40% and the key members of the team were unchanged. The Value for Money conclusion would look at the budget gap and the strategy for addressing the issues.

Members welcomed and noted the reduction in fees. In response to a question as to whether the reduction in fees related to the reduction in hours the Engagement Manager advised that was part of the reason. However, the large-scale redundancies of staff leaving the Audit Commission were probably the main cause for the reduction. He advised further, that the risk assessment to be undertaken by Grant Thornton to identify any significant risks before reaching a value for money conclusion was likely to be conducted in July 2013.

RESOLVED that the Planned External Audit Fee Letter, be noted.

A34 Hinkley Point C section 106 (S106) Agreement (Site Preparation Works) – Financial Monitoring Progress Report

(Report No. WSC 158/12, circulated with the Agenda).

The purpose of the report was to receive a quarterly monitoring report updating Members on the financial position and to issues relating to risk and financial governance.

The Finance Officer presented the report in detail and advised that the report sets out the joint internal audit of the council's arrangements alongside Somerset County Council (SCC) and Sedgemoor District Council (SDC). The report provided an update on how the council worked together with SCC and SDC, what the reporting and monitoring requirements of EDF were and how the council would take the process forward. The report also took in account work with parishes in order to put them in the best position possible to access impact mitigation funds.

Some of the governance processes to be looked at by SWAP would not be fully operational until part way through the following year. Therefore, the draft report would give the council opportunity to implement work arising from recommendations before Hinkley Point C Phase 2 was active. The Corporate Management Team had approved a draft Governance process that enables Hinkley s106 expenditure and performance to be monitored within the normal management process. In keeping with the existing performance management framework, future reports would be presented to Scrutiny Committee and Cabinet.

During the course of the debate the following main points included:

- The composition of the Hinkley Governance Group would comprise officers; individuals were yet to be decided.
- The Planning Obligations Board (POB)'s role was set out in the s106 Agreement; it will make recommendations for approval to Cabinet and Council on bids received, following evaluation of proposals in accordance with agreed criteria set out in the Section 106 agreement and the agreed appraisal processes.
- The future role of SWAP in relation to the activities of the Planning Obligations Board would be confirmed in due course, once the Board had the opportunity to determine its requirements.

Post Meeting Note (1):

The s106 Agreement requires the Board to establish its own financial monitoring and internal audit plan. SWAP will be asked to provide an initial view on the adequacy and effectiveness of the procedures currently being developed for evaluating and recommending bids for funding. It is reasonable to expect that this will be followed up in the course of further audit work during 2013, when it will be possible to review how the proposed arrangements are operating in practice. The Board will receive regular financial monitoring information from West Somerset Council. As part of its current audit work, SWAP will review financial control procedures established by the Council with regard to the management of Hinkley s106 monies, which will include financial transactions and management information relating to the Board's area of responsibility.

- The Finance Officer to advise on the request that there be some form of member scrutiny of the Planning Obligation Board's decisions.

Post Meeting Note (2):

Scrutiny Committee will be able to call-in decisions of Cabinet in accordance with normal practice. It would not be appropriate for WSC Members to scrutinise the decisions of the Board as WSC was only one of four members of the Board. The process as a whole would be reported and explained to all Members in due course.

- The Community Development Officer would continue to assist communities in identifying their priorities for action and help to advise on how communities might access the s106 impact mitigation monies.
- The POB was currently determining its operating rules for considering bids for funding, and would ensure that they complied with the legal obligations of the s106 agreement. The Board was unlikely to be assessing bids much before Spring 2013, given the current timescale for phase 2.
- The priority areas would be as set out in the s106 agreement, the process as a whole would be reported and explained to all Members in due course.

The Finance Officer noted concerns raised regarding certain financial risks associated with the Development and advised that she would pass on concerns to the Planning Manager.

Post Meeting Note (3):

The queries raised have been discussed and resolved.

Members of the Audit Committee wished to thank the Finance Officer for the clear report, further they wished to record their concerns that it is was imperative that adequate governance arrangements were properly in place.

RESOLVED (1) that the Audit Committee request that there be in place Member scrutiny to monitor operating procedures and decisions of the Planning Obligations Board.

See Post Meeting Note 2 above.

RESOLVED (2) that the Audit Committee recommend to Cabinet to approve the governance arrangements proposed by the Corporate Management Team, which

will ensure future Hinkley s106 financial, performance and risk monitoring is reported to the Scrutiny Committee and Cabinet, in accordance with the Council's standard approach.

RESOLVED (3) that the Hinkley Point C section 106 (S106) Agreement (Site Preparation Works) – Financial Monitoring Progress Report, and the latest Hinkley C s106 financial monitoring summary, attached as Appendix A to the report, be noted.

A35 Treasury Management Update 30 September 2012

(Report No. WSC 149/12, circulated with the Agenda).

The purpose of the report was to update the Audit committee on the Treasury Management position as at 30 September 2012.

The Principal Accountant presented the Treasury Management update and confirmed that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2012 and that no new borrowing was undertaken. Further, that the Council had complied with Treasury and Prudential Limits. With regard to the expected significant increase in the level of cash balances related to the Hinkley planning obligation settlement, a report would be taken to members setting out a revised Investment Strategy.

He confirmed that he would explain the figure of £7,658,000 in Appendix 1, page 47 of the report, attached to the agenda, to members after the meeting.

RESOLVED that the Treasury Management Update – 30th September 2012, be noted.

A36 Debt Analysis Report as at 30 September 2012

(Report No. WSC157/12, circulated with the Agenda).

The purpose of the report was to provide Members with an update on the levels of outstanding debt across the authority as at 30 September 2012 compared with the situation as at 30 September 2011.

The Principal Accountant presented the report and advised that debt analysis used to be part of the performance and budget report presented to the Scrutiny Committee on a quarterly basis. However, Scrutiny Committee agreed that it was more appropriate for Audit Committee to receive future reports and this was the first debt analysis report to be presented to the Audit Committee.

During the course of the debate the following main issues were raised:

- Noted that although the Council was responsible for collecting council tax in the district only 9% of the total debts, shown on page 50 of the report, attached to the agenda, related to West Somerset Council.
- Concern over the amount of outstanding council tax debt at 30 September 2012. Members noted that work was being conducted to present a report to Cabinet requesting that some of the debt be 'written off', thereby reducing the figure.

- How did the Council's outstanding council tax debt compare to other similar authorities?
- Members requested that this item be included on the agenda for the next meeting of the Audit Committee and that a Council Tax officer be invited to attend.

Members noted with concern the advice of the Section 151 Officer that currently, all of the business rate debt was the responsibility of central government with no impact to the Council. However, with effect from next year 40% of the business rate debt would become the responsibility of the council and would include this year's debt. As a result close monitoring of the business rate debts was important.

RESOLVED that this item be carried forward to the next meeting of the Audit Committee scheduled for 25 March 2013, and that an appropriate Council Tax Officer be invited to attend.

A37 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 review on Delivery of Major Projects – Risk Management had received partial assurance.

The Principal Accountant confirmed that the responsible officer was aware of the recommendation of SWAP relating to the Risk Registers.

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

The meeting closed at 18.12 pm.