

MENDIP DISTRICT COUNCIL

Minutes of the meeting of the Audit Committee held on Thursday 25 September 2008 in the Council Chamber, Council Offices, Shepton Mallet commencing at 5.00 pm.

PRESENT: Councillors: Christine Cockroft (Chair), Ashley Taylor (Vice-Chair)
Councillors: Nigel Hewitt-Cooper, Rob Reed and Margaret Robinson (5.10 pm)
Co-Opted Member: Philip Gait

OTHER COUNCILLORS

PRESENT: Councillor Gus Halfhide and Harvey Siggs

OFFICERS

PRESENT: Ginette Beal	Grant Thornton External Auditors
Chris Gunn	Group Auditor South West Audit Partnership
Simon Haskell	Chief Accountant
Eve Harris	Committee Officer
Peter McKenzie	Corporate Finance Manager
Barry Morris	Grant Thornton External Auditors
David Thomson	Chief Executive

Agenda Item Number	Subject	Actioned by
1	<p>Chairs Announcements</p> <p>The Chair requested that mobile phones be switched off. The evacuation procedures were explained.</p> <p>The Chair welcomed Councillor Rob Reed to the Committee who had taken over from Councillor Philip Whitmarsh.</p> <p>The Committee wished Councillor Danny Unwin all the best and hoped to see him back at the Committee soon.</p>	
2	<p>Apologies for Absence</p> <p>Councillor Danny Unwin had given his apologies.</p>	
3	<p>Declarations of Interest</p> <p>There were none.</p>	
4	<p>Public Participation</p> <p>Mrs Siddons was invited to speak on item 11 Statement of accounts. She asked the Committee to look further into the leasing and sale of Park Cottage in Wells. She explained that she thought Mendip Council had been neglectful of this building as well as of Bishop's Barn. She highlighted to members that an article had been released in the Wells Journal this week on the cottage and she informed the committee that she had been in contact with the</p>	

	<p>external auditors informing them of her concerns of the sale and lease of the buildings and she hoped that by bringing her concerns to the attention of the Audit Committee that Members would consider her views and look into the matter.</p> <p>The Chair explained that the corporate finance manager would reply to her concerns in writing as soon as possible and she asked that a report be brought to the next meeting of the committee so that members were aware of the issues being raised by Mrs Siddons.</p> <p>Philip Gait queried whether the report should be put before the Scrutiny Board for review. Members agreed that the report would come before the Audit Committee in the first instance.</p> <p>Members requested copies of the letter that would be going out to Mrs Siddons.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> · A letter of response would be send to Mrs Siddons from the corporate finance manager and this would be copied to all members of the committee · A report on Park Cottage and Bishops Barn would be brought to the next meeting of the committee for review 	<p>Peter McKenzie</p>
<p>5</p>	<p>Minutes</p> <p>The minutes of the Audit Committee meeting on 4 June 2008 were agreed as a correct record of proceedings.</p>	<p>Eve Harris</p>
	<p>The order of the agenda was changed</p>	
<p>8</p>	<p>Improvement Plan</p> <p>The Chief Executive introduced the report. He explained that the improvement plan action plan would become a very important document to the council over the next few months and years.</p> <p>The Use of Resources report showed that the council would be receiving and adverse opinion and this action plan would be helping to address the issues that had given the council that result. As well as picking up the actions from the Use of Resources action plan the improvement action plan would also be picking up actions and targets from other reports across the council.</p> <p>This report had been to Full Council as there was actions that needed to be addressed by that body and now the report was presented before the Audit Committee as there were some elements which were highlight in the report which were of the most relevance and importance to the committee as well as some actions that would fall to the committee to monitor; these were:</p>	

	<ul style="list-style-type: none"> · Enhance understanding and delivery of Value For Money and Use of Resources elements, including the possibility of a peer review specifically looking at Use of Resources · Enhance understanding and delivery of performance and asset management <p>It was noted that the action plan was still subject to minor change until it was submitted on 10 October 2008.</p> <p>Members queried the timescale of the actions. The Chief Executive explained that with regards Use of Resources the council would be hoping to achieve level two by March 2009 and then finally level three by March 2010. He noted that the deadlines were achievable if the council acted as one and put its resources into making the actions happen. The objectives needed to be shared with everyone including between political parties.</p> <p>Officer restructure was already being considered and everyone needed to be aware that to take the improvement plan forward meant that some services could not be delivered as they were at the current time. The key focus was performance management and to get this right took time and effort.</p> <p>Members raised concern about the proposed drop in service levels. The Chief Executive explained that if the council wanted to improve its services in the long term there had to be a shortfall in the services delivered in the short term. He explained that he understood members concerns but the council had to listen to what its customers wanted and to do this it had to take the necessary actions to improve.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> · Members noted the report in its current draft form · It was agreed that the objectives and actions listed in paragraphs 6 and 7 of the report should be the subject of further reports to the Committee so that it can monitor progress and suggest any changes that might be required to maintain the level of improvement. 	
<p>6</p>	<p>Internal Audit Update</p> <p>The Group Auditor, South West Audit Partnership introduced the report. He explained that the report now contained more detail which had been requested at the previous meeting.</p> <p>He highlighted that the most of the areas reviewed recently had come back with partial assurance but management had been positive towards the actions that had been put forward to them.</p> <p>Philip Gait raised concerns that reviews had come back with partial assurance. He felt that problems could be found which management would accept and change but then changes might not</p>	

	<p>get carried out for a further three to four years and then when the auditors returned more issues were found. Management did not have time to look for risks within their areas and suggest change yet if they relied until their audit inspection the council would get in a bad position. He felt that management should be constantly looking for areas for improvement especially as the council needed to move with the new systems that were available.</p> <p>The corporate finance manager explained that officers knew they were weak in certain areas and so internal audit would be asked to come in and flag up problems; they are considered a fresh pair of eyes.</p> <p>Councillor Halfhide explained that the corporate support, strategy and research manager had been leading a project along with help from the County Council which would help officers identify risks and make the council more proactive in making changes. Audit would still have a role to play within the organisation but this project made sure that the council was not missing any major underlying issues.</p> <p>The Chair queried whether the problems facing the council currently would be mitigated when the staffing turnover was more stable. The corporate finance manager explained that if the council loses a member of staff then it either made arrangements for the post to be covered internally or expertise would be brought in from another authority.</p> <p>Philip Gait raised that the committee had not seen any action from the points raised by Councillor Halfhide at the April meeting. The Group Auditor explained that internal audit were currently working on the items raised and they should hopefully be ready by the next meeting.</p> <p>RESOLVED Members noted the progress made by the South West Audit Partnership to date.</p>	
<p>New Item</p>	<p>South West Audit Partnership Annual Report 2007-2008</p> <p>The Group Auditor explained that this report was a summary of reports from last year; he apologised for its lateness.</p> <p>Councillor Robinson queried whether relevant departments knew that problems were being picked up by the internal auditors. The Group Auditor explained that managers were kept informed of issues when they arose and in some circumstances got the chance to make changes before the final audit report was produced.</p> <p>Members queried whether internal audit were looking at the right areas at the right time as they felt their role was to monitor that this was being achieved.</p>	

	<p>Councillor Halfhide asked whether the list of audits matched the councils list of risk areas and who was in charge of ensuring the two lists matched up. The corporate finance manger explained that the lists were currently matched but he could not give a definite answer as to who had underlying responsibility of ensuring that the lists were compatible.</p> <p>After some discussion around the issues of the role of the committee and what aspects of the council it should be focusing on the Chair requested to have a meeting with Councillor Halfhide, the Chief Executive and the corporate finance manger.</p> <p>RESOLVED A meeting is to be set up with the Chair, Councillor Halfhide, the Chief Executive and the corporate finance manger to discuss all issues related to the Audit Committee.</p>	<p>Peter McKenzie</p>
<p>7</p>	<p>Use of Resources Update</p> <p>The corporate finance manager introduced the report. He explained that the Use of Resources used to be driven by the finance section and this had been highlighted by the auditors as being one of the council’s weaknesses. A group of senior officers were working through the Key Lines of Enquiry (KLoEs) trying to ascertain in truth where the current position of the council, they were also appointing a lead officer to oversee each action.</p> <p>Members queried the time scale of the actions; the corporate finance manager reiterated what the Chief Executive had stated earlier in the meeting, the council were looking to achieve level two by March 2009 and level three by March 2010, he noted that if the council did not achieve a level two then this would be a fail as there was no level one.</p> <p>One of the key lines of work for officers was ensuring that there was sufficient evidence to back up their work to present to the Audit Commission who would be taking over being the councils external auditors from April 2009.</p> <p>Members noted that the action for members to be given finance training had already fallen behind and put in the red category, they asked that this action be pushed to take place as soon as possible.</p> <p>Councillor Halfhide queried how the committee was adding value to the report as he felt that this report was very similar to the one that was presented at the last meeting. He explained that he felt members should be telling officers what information they want to see and be putting forward a statement about their opinion of the report for information for other members.</p> <p>After some discussion about the timescales of turning all the red and amber actions to green the corporate finance manger informed</p>	

	<p>the committee that each action had its own deadline and many were before the final March deadline.</p> <p>Members asked that future reports contain the names of the lead officers and the deadlines for each action. If the deadline had slipped and the action had not been reached then the members wanted to see the lead officer to ask them why this had happened and what was going to be done to ensure it was met as soon as possible.</p> <p>The committee noted that its role was to ensure the council met level two by March and it would do this by monitoring the officers to ensure they carried out the work needed to meet the deadlines.</p> <p>The corporate finance manager confirmed that an officer review panel had been established to self assess the work that was being carried out and the evidence which was being produced. Ginette Beal, external auditor informed the committee that they could use this group for assure that the work was being carried out by inviting one member along to give an update.</p> <p>Members further queried their role in the council and asked the terms of reference which were seen at the first meeting of the committee be reissued.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> · Members agreed that an update on the Use of Resources should be brought to every meeting of the Committee including the names and deadline dates of each action · The terms of reference for the committee would be reissued 	<p>Peter McKenzie</p>
<p>10</p>	<p>Medium Term Financial Strategy</p> <p>The corporate finance manager introduced the report; he explained that the council's income was reducing in the current economic climate which meant the council was facing financial pressures.</p> <p>A discussion about the report took place, members raised several queries about the report and it was agreed that a fuller report would be brought back for a detailed discussion at the November meeting.</p> <p>The committee emphasised that it needed to look at how other Audit Committees operated, the corporate finance manager explained that he had carried out some background work into other councils committees and would bring a report to a future meeting.</p> <p>The Chair raised that she felt the committee's priority should be monitoring the Use of Resource actions to ensure the council got through next year with a level two.</p> <p>RESOLVED</p>	

	<ul style="list-style-type: none"> · A fuller report is to be brought back to the November meeting · The corporate finance manager is to carry out some research into how other Audit Committees operate and bring a report back to the committee in the near future 	Peter McKenzie
	Councillor Robinson left the meeting	
9	<p>Annual Report to Those Charged with Governance</p> <p>Barry Morris, external auditor introduced the report. He explained that the report summarised the work completed on the council's accounts, including the auditor's opinion on Value For Money.</p> <p>It is expected that an unqualified opinion on the accounts would be given which was good news.</p> <p>The external auditor went through the report for the benefit of the committee. With regards Value For Money the council would be receiving and adverse opinion, which was not good and only a few councils in the country would be receiving this opinion. He explained that he had been asked whether or not he would carry out a public interest report but he noted that he could see the council was putting in place actions for improvement and so did not think this course of action would be worthwhile.</p> <p>Philip Gait asked whether the auditor thought the council had in place the skills and resources to help turn the council around. The auditor explained that they had looked at the partnership arrangements and were keen to emphasise that this could be used as a tool to help facilitate improvement but it was less clear how the council would use these tools. He explained that it was about the way the council responded to situations and how its officers were deployed and whether they were being used in the correct areas.</p> <p>The Chair thanked the external auditors for their report.</p> <p>RESOLVED The report was noted.</p>	
11	<p>Statement of Accounts 2007-2008</p> <p>The corporate finance manager distributed updates to the report. He explained that the updates had been seen by the internal and external auditors and asked members to approve the accounts.</p> <p>RESOLVED</p> <ul style="list-style-type: none"> · The audited 2007-2008 statement of accounts was approved 	

12	Urgent Business None.	
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The meeting closed at approximately 7.25 pm.