

MENDIP DISTRICT COUNCIL

Minutes of the meeting of the Audit Committee held on Thursday, 28 June 2012 in the Council Chamber, Council Offices, Shepton Mallet commencing at 6.00 pm.

PRESENT: Councillors: Peter Bradshaw, Matthew Ellis, John North (Vice Chair) and Richard Pinnock.

OFFICERS

<p>PRESENT: Jane Bennett Lisa Fryer Chris Gunn Nick Jagger Adam Savery</p>	<p>Temporary Committee Officer Audit Manager, SWAP Group Audit Manager, SWAP Trainee Committee Officer Lead Officer and Deputy Corporate Financial Advisor</p>
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Agenda Item Number	Subject	Actioned by
1	<p>Vice Chair's Announcements</p> <p>The Chair had given his apologies for absence. Therefore the Vice Chair presided over the meeting.</p> <p>The Vice Chair congratulated Councillor Richard Pinnock on being elected as the Liberal Democrat Group Leader, replacing Councillor Claire Hudson in this role.</p> <p>The Vice Chair requested that mobile phones be switched off, and explained the evacuation procedures.</p>	
2	<p>Apologies for Absence</p> <p>Apologies had been received from Councillors John Carter (Chair) and Sam Phripp, Co-opted Member Philip Gait, and Chris Rockey and Martin Robinson of the Audit Commission.</p>	
3	<p>Declarations of Interest</p> <p>None.</p>	
4	<p>Public Participation</p> <p>a) <u>Items on the agenda:</u> None.</p> <p>b) <u>Items not on the agenda:</u> None.</p>	
5	<p>Draft Minutes</p> <p>The minutes of the Audit Committee meeting held on 4 April 2012 were agreed.</p>	Claire Dicken

	<p>Matters Arising</p> <p>None.</p>	
<p>6</p>	<p>Revenue Outturn Report 2011/12</p> <p>Appended to this report was a copy of the report considered by the meeting of Cabinet on 11 June 2012. The report provided an update of the Council's provisional revenue outturn for the financial year of 2011/12 and the position as at end of March 2012. It identified the requests for earmarked reserve provision and included an assessment of the impact on Mendip District Council's general balances.</p> <p>Cabinet had resolved to:</p> <ul style="list-style-type: none"> · To note the contents of the report, including the final outturn position for the year; · To approve, where appropriate, revenue earmarked reserves totalling £1,478k, as recommended in Appendix 2, and note that, where required, these amounts would be allocated for spend in the 2012/13 budget; · to note the proposed level of general balances of £2,016k; the revenue earmarked reserves of £1,478k; and the New Homes Bonus funding of £585k, as detailed in Appendix 3 . <p>The Lead Officer explained the key points raised by Cabinet. He commented on the priority services, the financial movement over the year and the effects of the new legislation on the budget. He said that the unallocated balanced were another million and that it was an interesting proposition. He concluded that the Council had retained a robust budget which provided them with a certain amount of resilience, and they were as well placed for a small council as could be.</p> <p>During discussion that followed, Councillor Matthew Ellis asked whether an excessive surplus or a grant which was not utilised fully might influence the government grant to be lowered the following year, and asked why the Council were setting aside so much money.</p> <p>Councillors questioned how the New Homes Bonus would be used and whether it would be earmarked for new home schemes or be going into a general account. The Lead Officer explained there were no specific plans how it would be used at the moment, but Cabinet would be giving a</p>	<p>Adam Savery</p>

	<p>decision at the end of July, and that this topic related to a later agenda item on the Localism Act.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	
<p>7</p>	<p>Governance Action Plan Update Standard report – Housing Subsidy Claim</p> <p>The purpose of the report was to update the Members on progress against the action plan produced as part of the Annual Governance Report. This item was a standing item on the Audit Committee agenda and was a crucial element of the Governance role fulfilled by the Audit Committee.</p> <p>The action plan was reported as Appendix 6 of the Governance Report to the Audit Committee on 29 September 2011. An updated version of the appendix was attached to this front sheet as Appendix A.</p> <p>Also attached for Members' information at Appendix B was the Grant Claims Action Plan, which dealt with Housing Benefit and Council Tax Benefit Subsidy Claims.</p> <p>The Lead Officer pointed out that the Assets Model had been fully completed and was in place. However, Recommendation 7, which had been set for 31 January 2011, was still outstanding.</p> <p>The Lead Officer said that they now had the Business Continuity Plan and were dipping into the Somerset Wide disaster plans, although some progress still had to be made.</p> <p>During the discussion that followed, Councillor Peter Bradshaw asked about the unique reference numbers for all new plans, a process which had been started to assist the audit trail, and commented that much data did not have reference numbers. The Lead Officer said that he would look into this, and it would be something to consider later in the year.</p> <p>Review dates and virgin control and timescales were for review. It was requested that the Officers and SWAP implement those.</p> <p>The Councillors were pleased with the progress made to date.</p> <p>RESOLVED</p> <p>To note the progress against the action plans.</p>	<p>Adam Savery</p>

<p>8</p>	<p>Statement of Accounts</p> <p>The purpose of this report was to give Members advance notice that the 2011/12 Statements of Accounts would be presented to the Audit Committee for signing off at their September meeting.</p> <p>The Council was required to authorise and approve the annual Statement of Accounts by 30 September 2012. The Council had delegated the authority to approve these accounts to the Audit Committee.</p> <p>The Audit Committee would only be asked to approve the accounts once the annual audit had been completed. This audit would be completed by the Audit Commission, the external auditors; they would present their Annual Governance report, which summarised their findings and included the messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value-for-money in its use of resources.</p> <p>The pre-audited accounts had to be signed off by the Council's Section 151 Officer before 30 June 2012 in accordance with the statutory timescales. The Lead Officer said the accounts would be signed off and printed the next day, and would be circulated to Members and the Audit Committee.</p> <p>The Lead Officer said that the Statement of Accounts may be completed in August, and if that was the case, he suggested that a session on them be carried out at the August meeting.</p> <p>RESOLVED</p> <p>That the report be noted.</p>	<p>Adam Savery</p>
<p>9</p>	<p>Annual Governance Statement</p> <p>This report was circulated at the meeting.</p> <p>The Council was responsible for ensuring that its business was conducted in accordance with the law and to proper standards, that public money was safeguarded and properly accounted for, and that it was used economically, efficiently and effectively. The Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.</p>	<p>Adam Savery</p>

In discharging this overall responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which included arrangements for the management of risk.

An annual assessment of the Council's compliance with its code of corporate governance was carried out, to give assurance of robustness of the Council's governance and to highlight areas for development.

The Lead Officer outlined the recommendations of the Officers' review and said that there were significant issues this year. The model which had been used was based on six principals.

Principle 1. In the past Mendip have struggled with governance, but some progress had been made with this, which included creating a vision for Mendip. A robust corporate plan was now in place with the Mendip Strategic Partnership and setting up of Mendip Executive as well as organisation of key portfolio holders. There had also been major work on improving complaints, through reviewing and recording the procedure. Work on the customer access channels and customer services had progressed well during 2010/11 and 2011/12.

Principal 2. This involved the induction of new or role-changing members during 2011/12. Much internal work had been facilitated through the Member Development chart. The rescheduling of meetings had ensured that the Scrutiny Board now got information before Cabinet.

Principal 3. This involved the value of authority and high standards conduct and behaviour. The Members' Code of Conduct and been a Cabinet report and included quality impact assessments. SWAP commented that the Audit Committee were more challenging than previously and felt that they had been performing well for a while now.

Principal 4. The Corporate risk was an area in 2010/11 which had not been consistent and ownership had not been from the top down. CMT had now reviewed this on a regular basis. There would be an individual service risk assessment which would be updated on a quarterly basis. Some policies had been reviewed, such as the Whistle Blowing Policy, and there was a process in place now to deal with these. There was more transparency, and declarations of interest were done by senior officers and members. Staff and team managers had had training on this, and the Leader felt that the Audit Committee should follow closely as well.

Principal 5. There had been many challenges, with an influx in May of new members in back and front bench places. The induction training had been effective and Mendip was working well on this at the moment. The Corporate leadership was in place and well embedded.

Principal 6. The Council were engaging more with the people of the district as they now had a dedicated officer, parish forums and urban forums. The CMT had taken on an engagement role with town or parish councils, which was connected with the Localism bill. It was felt that some progress had been made, but much more work needed to be done in this area.

The Lead Officer spoke about the major Governance issues for 2012/13. They were continuing to monitor the output of the accommodation review of the Phoenix Project, and to ensure that services were provided appropriately; there were issues regarding remote working, there were significant issues regarding the elderly; there was a review of the service industry, depending on whether favourable or not favourable, and money needed to be allocated to where it was most needed; and there was the corporate asset management – if deal with assets in a different way – issues.

The Lead Officer said they were reasonably happy with where they were and felt a good job had been done over the last twelve months.

During the discussion that followed, Councillors were concerned about matters that may not have been covered, but might not be possible to prove that something had been done. There was also concern that remote working could result in a loss of corporate identity, and whether there was a procedure for auditing remote working.

The Lead Officer responding that the first issue which had been raised was the difference between the operation and the procedures of the operations and that there were no policies or procedures to back up what people were doing. Councillors felt that one person should be responsible for that, and queried whether this point had been addressed for the month. It was felt that there was a difference between what was done and what was said to have been done, and maybe the perception that they were not doing as well as they thought.

Councillors queried whether Mendip had a central system for all its services or processes, and Councillor Matthew Ellis asked to see what the procedure was for something, and whether the issues with transparency about budget had

	<p>moved forward. The Lead Officer said there was confidentiality on politically sensitive or staff issues but that there would be a transparency process for the rest, and that the process would be starting much more quickly this year in July, with options coming out in the summer.</p> <p>Sara Skirton had taken over the role of managing risk. CMT has taken hold of that responsibility by adopting the corporate risk management to monitor it on a regular basis. There was still some way to go with putting it on a central system. At the moment, Share Point was used differently by staff, with some having different access levels. There were recommendations of hard and digital data for the accommodation review. Councillor Matthew Ellis asked when it needed to be destroyed, and requested that this be emphasised.</p> <p>Councillor Richard Pinnock drew attention to Principal 5, asking whether there was enough capacity for the officers to be effective due to the many changes in the organisation.</p> <p>The Councillors felt that consultation meant different things to different people, and there was discussion about the use of social networking for groups of people who communicated by this means. The community partnerships which had not been replaced were also discussed, and it was felt that the parish and rural forums were not the same and did not provide for those who did go to public meetings.</p> <p>The Chair outlined the next steps, which was to see the corporate plan again, and review the audit remote working. He also requested to see the procedure that had been planned. It was raised last year to look at the system and procedures, and that these should be put onto a hard drive, and the Chair said that this might need a further review at the next audit. This was unanimously agreed.</p> <p>It was agreed that the Lead Officer should look at current procedures.</p> <p>RESOLVED</p> <p>The report was noted.</p>	
<p>10</p>	<p>The Impact of the Localism Act on the Audit Committee</p> <p>The Lead Officer gave a presentation about the impact of the Localism Act on the Audit Committee. He detailed the key points, which were the new freedoms and flexibilities for local government; the new rights and powers for local communities; the reform to make the planning system have an impact; and the housing reform, which although did not</p>	<p>Adam Savery</p>

	<p>have a huge impact did include the housing revenue account.</p> <p>Councillors queried whether Localism would make things more difficult, and felt that there should be someone who would be the lead for any issues. The Chair suggested that the Audit Committee review the risk as a monthly item on the agenda. The Auditor said it was important to ensure that Audit was still fit for purpose.</p> <p>Councillor Richard Pinnock left the meeting at 7.00 pm.</p>	
11	<p>SWAP Annual Report</p> <p>The Group Audit Manager of South West Audit Partnership (SWAP) presented the 2011/12 Annual Internal Audit Report, in accordance with the Accounts and Audit Regulations (England) 2011 requirement for public authorities to publish an Annual Governance Statement (AGS).</p> <p>The Group Audit Manager gave a brief summary of the report. They described the current position, and their opinion, and followed with a summary audit opinion on the areas of activity. The agreed Annual Audit Plan covered the following key areas of activity:</p> <ul style="list-style-type: none"> · Operational Audits · Information Systems · Key Controls · Governance and Fraud · Special Reviews <p>They noted that the key financial areas were in a reasonable state and were satisfied that these were good. However, Governance and Fraud was regarded as mixed; managing complaints were reasonable, but the Auditors had come up with findings which they felt would be of benefit to share with the Committee, and said it was their job to cover risks. It was suggested that comparison be made with other Councils, and the Auditors said that this could be done and would be a subject for future discussion.</p> <p>Other points raised were the summaries, some special reviews, a comparative table, key controls, and the final commentary. The report noted that for the thirty-one audits where an audit opinion was given, SWAP were pleased to provide the highest level “comprehensive assurance” to seven, “reasonable assurance” to fourteen, and “partial assurance to ten. The Audit would be following up with all these reviews. The Auditors said they had been able to do more reviews in total over the year.</p>	Lisa Fryer

	<p>It was felt to be a very positive report and that the Officers should be congratulated on achieving such an encouraging result despite the change and loss of staff.</p> <p>The Lead Officer raised the point on staff capacity, saying that it would be interesting when looking at the partials to see if there were staff capacity issues in CMT and to see if these corresponded with the partials.</p> <p>During the discussion that following, Councillor Matthew Ellis drew attention to the increase in the number of recommendations for Governance and Fraud, and asked that this be picked up and made an operational issue, getting Cabinet and an officer who was involved to provide a report. This had been raised previously, and the Lead Officer said he would call for a report on Governance and Fraud. He suggested that they should also choose from one of the ten reviews which had received partial assurance. There were ten partials last year as well.</p> <p>The Chair agreed that there should be a report from Governance and Fraud. He also asked that SWAP define what was implied by lack of evidence in the partials, as a copy of the reasons for lack of evidence would be helpful. The Audit Manager suggested that they give the Audit Committee a presentation of how they carried out audits and the principals involved, which would explain the process and detail the evidence that the Council were missing. This would make it possible to ask for regular reports on what people were doing. The Auditors explained that lack of evidence could sometimes simply mean an unsigned piece of paper, and knowledge of this could mean that they could influence how this could be rectified. It was agreed they would start with Governance and Fraud and the missing evidence, and that this would be done at the August or September meeting.</p> <p>RESOLVED</p> <p>That the report be noted.</p> <p>Also, that the Audit Committee should look at two high-priority partials to be compared with the previous year, and that these should be chosen by the Auditors and passed to the Lead Officer. The relevant Officer and Member of Cabinet should then attend the meeting.</p>	
12	<p>Audit Committee Forward Plan</p> <p>It was agreed that the Forward Plan would now need to be</p>	Adam Savery

	<p>updated from the discussions at the meeting.</p> <p>The Lead Officer said that the accounts might need to be signed off earlier, although the deadline for signing was the end of September and they had the September meeting in which to attend to this.</p> <p>The Group Audit Manager pointed out that there was usually a review on internal control, which should be on the Forward Plan, and the Lead Officer said that this would be brought back into August.</p> <p>RESOLVED</p> <p>That the Audit Committee Forward Plan was noted.</p>	
<p>13</p>	<p>Urgent Business</p> <p>None.</p>	

The meeting closed at 7.25 pm.