

TORRIDGE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE MEETING

Committee Room, Riverbank House, Bideford

28 September 2010

PRESENT: Councillor G E Lee (Chair)  
Councillor C B Church (Vice Chair)  
Councillors A J Saywell, P J Pester and D M Lausen

Non Elected Member: Mr A Ashworth

ALSO PRESENT: W Rickard – District Auditor - Audit Commission  
S Johnson – Audit Manager – Audit Commission  
  
C Thompson – Head of Devon Pension Services  
B White – Devon Pension Services – Investment Manager  
  
J Wallace (Strategic Director – Resources)  
R Webster (Head of Environmental Health, Public Protection,  
Housing and Planning)  
G Booth (Head of Finance & Performance)  
S Harding (Chief Accountant)  
Jane Quick (Internal Audit Manager)

The Chairman welcomed Mr Ashworth to his first Committee meeting.

19. APOLOGIES

Apologies were received from Councillor P Pennington.

20. MINUTES

The minutes of the meeting held on the 29 June 2010 were signed as a correct record.

Cllr Church's role of Vice Chairman to be noted in future minutes.

21. FORWARD PLAN

The Internal Audit Manager explained recent changes to the Forward Plan.

22. AGREEMENT OF PART I AND PART II OF THE AGENDA

The agenda as circulated was agreed.

(Vote: For – unanimous)

23. URGENT MATTERS BROUGHT FORWARD BY THE PERMISSION OF THE CHAIRMAN

There were no urgent matters.

24. DEVON PENSION SERVICES

The Head of Devon Pension Services and the Investment Manager gave a verbal presentation on the Local Government Pension Scheme which is managed by Devon County Council.

The Head of Devon Pension Services advised that the scheme was established in 1922 and is one of 88 local government pension funds in the country. As at 31 March 2010 the scheme was being supported by 38,062 active members. There were 21,883 deferred members (those who had left local government and whose benefits were frozen until retirement) and the fund was worth £2.3bn in actual investments. Payments were being paid to 23,407 pensioners.

Management fees for the fund were the fourth cheapest in the country and equated to £15 per scheme member (some funds charge up to £45 per member).

Members expressed concern at the FRS17 valuation which is detailed in Council's corporate accounts.

The Investment Manager explained the difference between the FRS17 valuations and the triennial valuation with the "discounted rate" being the main reason for the difference.

The "discounted rate" is part of the calculation for working out the amount the fund will need today to enable it to pay out each scheme member's pension X number of years in the future, taking account of the valuation of inflation over those years. The discount rate used in FRS17 is fixed at a specific date and depends on the state of the market on that date, whereas the discount rate used in the triennial valuation takes an average value over a six month period, three months either side of the 'valuation date'.

Members were satisfied with this explanation and concluded that the scheme was sound and well managed.

The Chairman thanked Ms Thompson and Mr White for presenting this relatively complex explanation so clearly.

25. ANNUAL GOVERNANCE REPORT 2009/10

The District Auditor introduced this report and highlighted specific actions required by this Committee, namely –

- That matters raised in the report are considered before approving the financial statements;
- That note is taken of the adjustment to the financial statements set out in the report;
- Approval is given to the letter of representation on behalf of the Council before the Auditor's opinion and conclusion is issued;
- Agree a response to the proposed action plan.

The points listed above were addressed, and a response to the proposed action plan was agreed as tabled by the Chief Accountant.

The District Auditor added that he would be giving an unqualified opinion for 2009/10, and was pleased to see evidence of continued improvement in the Council's financial management.

Resolved:

That the content of the Annual Governance Report 2009/10 be noted.

(Vote: For – unanimous)

The Chairman asked that a letter of thanks be sent to the Chief Accountant and his team for their hard work in this respect. The Head of Finance & Performance agreed to write on behalf of the Committee.

26. ANNUAL GOVERNANCE STATEMENT & ACTION PLAN

The Internal Audit Manager presented her report and explained its purpose was to assure Members that she had reviewed the Governance data base and action plan to ensure that work was progressing in respect of the various improvements detailed on the plan, and that she had identified no detrimental changes to the

controls set out in the Annual Governance Statement since it was approved in June.

Resolved:

That the Internal Audit Manager's recommendations were agreed and noted.

(Vote: For – unanimous)

27. APPROVAL OF FINAL ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

The Chief Accountant presented the report which related to the 2009/10 Financial Statements.

He explained the minor changes which had been made to the Financial Statements since they were approved by Committee in June 2010, and recommended Members to approve this final version.

Resolved:

That the Financial Statements for 2009/10 be approved as amended.

(Vote: For – unanimous)

28. EXTERNAL AUDIT PROGRESS REPORT & BRIEFING

Mr Johnson (Audit Commission) presented this report. He referred in particular to the progress made against the 2009/10 audit plan, and confirmed that this Committee would receive the Annual Audit Letter at their November meeting.

He explained that due to the government's announcement disbanding the Audit Commission it was still not possible to provide details of the fees they would be charging for 2011/12.

The District Auditor advised that the Audit Commission was intent upon setting up its own independent audit practice in order to compete with the private sector. He added that the Audit Commission would be around for at least the next couple of years and assured Members of their intention to maintain standards.

The District Auditor referred to a letter from the Audit Commission dated 19 August 2010 relating to the current audit programme, and a further letter from the Audit Commission confirming that work on the Comprehensive Area Assessment (CAA) was stopping with immediate effect. This included work on value for money and use of resources assessments.

He explained that the savings for the current year include £13,000 on Use of Resources work and £6,000 (a 6% rebate) on the additional work undertaken on International Financial Reporting Standards.

Resolved:

That the content of the draft External Audit Progress Report & Briefing be noted.

(Vote: For – unanimous)

29. CORPORATE RISK REGISTER, RISK MANAGEMENT POLICY & PROCEDURES, RISK MANAGEMENT STRATEGY AND PARTNERSHIP PROTOCOL

The Strategic Director (Resources) explained the background to this topic. She explained that the Corporate Risk Register, Risk Management Policy and the Risk Management Strategy were reviewed on a regular basis. She referred to the Corporate Risk Register and explained that managers regularly look at their own service based risks registers.

The Internal Audit Manager advised Members that the Corporate Risk Register was a tool to facilitate improvement, and it was now possible to audit from a risk based approach as opposed to a system based approach.

The Head of Environmental Health, Public Protection, Housing and Planning explained that the Risk Management Strategy originally included both policy and strategy aspects and these had now been split. He added that the Risk Management Working Group had been consulted to see if there were any omissions in the strategy.

He referred to the proposed Partnership Protocol and advised Members that different partnerships represented different risks. The Risk Management Working Group took a logical approach to the protocol and it will be presented to the Corporate Management Team before it is referred back to this Committee for approval.

Mr Ashworth referred to the Corporate Risk Register and asked why some completion dates were shown as 'on going'. He expressed concern that without a review date something could be missed and suggested that a percentage implementation of the actions be used instead.

The Head of Environmental Health, Public Protection, Housing and Planning added that the target figure was not shown in the column on the register for the control to reduce the risk. He added that the Corporate Risk log sits behind the Corporate Risk Register – the log lists all of the risks including those managed so

they are no longer a priority. He offered to explain the process to Mr Ashworth if he would like to contact him.

Members were asked to let the Head of Environmental Health, Public Protection, Housing and Planning have any comments they wished to make for incorporation in the policy, strategy, corporate risk register or partnership protocol via email by 15 October 2010.

Resolved:

That the content of the documents referred to above be noted.

(Vote – For – unanimous)

## PART II

### 30. INTERNAL AUDIT REPORT ON QUARTER 1

The Internal Audit Manager introduced the new format of the report for the quarter ended 30 June 2010 and referred to the performance detail which sets out the current audit opinion. She referred in particular to the summary of reports and individual service controls. A considerable amount of detail is shown, but it is easy to spot the number of actions required and the controls. The table will become larger as the year progresses.

The Internal Audit Manager advised Members that North Devon Council's Internal audit contract expires on 31 March 2011 and they will be asking for expressions of interest in this respect. The Internal Auditor advised that she had recently submitted a report for approval by Community & Resources Committee to prepare a draft bid for the contract jointly with the Devon Audit Partnership.

The Internal Auditor also advised Members that the Council had a duty to promote an anti-fraud culture and highlighted a recent instance where supplier's details had been misused at another Council. She added that the requirement to publish all expenditure over £500 will exacerbate the problem and the Council will be introducing robust anti-fraud practices.

The inclusion of details about irregularities mean that this report is exempt from publication and appeared as a Part II item on the agenda.

The Audit Manager also referred to a recommendation about debt recovery that had been included in the Benefits audit report and also the Debtors report. As a consequence the Revenue and Benefits Manager is developing a points-based process which will be reported to Community & Resources Committee in November.

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Questions were taken and explanations given and the proposed procedure was generally supported.

Resolved:

That the quarter one report on performance and the Internal Audit service be noted.

(Vote: For – unanimous)

31. THANKS

The Chairman thanked all present for their contributions to the meeting.

The meeting commenced at 2pm and finished at 4.20pm

Signed:

Date: