

TORRIDGE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE MEETING

Committee Room, Riverbank House, Bideford

30 November 2010

PRESENT: Councillor G E Lee (Chair)
Councillors: P J Pester, P Pennington and D M Lausen

Non Elected Member: Mr A Ashworth

ALSO PRESENT: W Rickard – District Auditor - Audit Commission
S Johnson – Audit Manager – Audit Commission

G Booth (Head of Finance & Performance)
Jane Quick (Audit Manager)

32. APOLOGIES

Apologies were received from Councillors C Church and A Saywell.

33. MINUTES

The minutes of the meeting held on the 28 September 2010 were signed as a correct record.

34. FORWARD PLAN

The Internal Audit Manager advised that an additional meeting would be required to discuss the update of Financial Procedure Rules and Contract Procedure Rules. It was agreed that a meeting be held on 25th January 2011 at 2 pm for this purpose. It was also agreed that the Audit Commission's Audit Opinion Plan for 2011/12 be brought forward for discussion at the January meeting.

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

It was proposed by Councillor P Pester and seconded by Councillor P Pennington that the agenda as circulated be agreed.

(Vote: For – unanimous)

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

There were no urgent matters.

37. COMPLIANCE WITH THE CIPFA CODE OF PRACTICE FOR INTERNAL AUDIT

The Internal Audit Manager presented her report and explained its purpose was to provide an update on the performance of the Internal Audit team against the CIPFA Code of Practice checklist.

She advised that the CIPFA code of practice comprises of a list of 194 requirements and that Torridge District Council had an overall compliance of 97.4%. This evidenced steady progress over the last three years.

The checklist identified 5 items of partial compliance, but it was not considered cost effective or practical to fully implement these 5 items due to the size of the audit team. The position with regard to potential future working arrangements with Devon Audit Partnership and the bid for North Devon Council's internal audit contract was discussed.

The annual review had been undertaken by the Audit Manager and this was then independently reviewed through sample testing by the Strategic Director (Resources). The Independent Member, Mr Ashworth, expressed concern with regard to the sample testing being undertaken by the Strategic Director (Resources) as a conflict of interest could be perceived due to also being the line manager for the Internal Audit Manager. The District Auditor, Mr W Rickard, stated there is a yearly assessment carried out by an external auditor and if any concerns are raised then an independent review is undertaken. He confirmed there are no concerns with the Torridge compliance review and Mrs Wallace, being the Council's Section 151 Officer was qualified in this respect.

It was proposed, seconded and :

Resolved:

That the results of the independently reviewed assessment of compliance with the CIPFA Code of Practice for Internal Audit and the additional actions that will enhance compliance be noted.

(Vote: For - unanimous)

38. ANNUAL AUDIT LETTER AND UPDATE REPORT

Mr Rickard, presented the Audit Commission's Annual Audit Letter and Update

Report for 2009/10. He explained that this document represented a high level summary of the Audit Commission's key messages to the Council and the public.

The audit report comprised of two elements, namely, audit of the Council's financial arrangements, and an assessment of the Council's arrangements to achieve value for money in the use of resources.

The report confirmed that an unqualified opinion had been given on the Council's financial statements and on the Council's arrangements to secure value for money. The report also evidenced that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.

Mr Rickard also confirmed that that Council had met the requirements of the nine Value for Money criteria set out for district councils in the year to 31 March 2010.

He added that the report gave a positive picture of the Council's 2009/2010 financial performance, it evidenced good governance arrangements and put the Council in good stead to face the challenges of the immediate future.

A brief period of questions and answers followed and the Head of Finance & Performance provided a detailed explanation of the reporting changes required as a result of the introduction of new International Financial Reporting Standards (IFRS) which take effect from 1 April 2010. Cllr Pennington questioned whether there was sufficient transparency within the Council's Final Accounts to enable the public to understand them. The Head of Finance & Performance assured Members that although the accounts were made overly complicated by having to comply with codes of practice and government legislation, they were clear and accurately presented and there is a much more user friendly version in the Annual Report as well as the Performance Management reports.

It was proposed, seconded and –

RESOLVED:

- 1) That the recommendation contained in the Annual Audit Letter be accepted and,
- 2) That the result of the Audit Commission's Annual Audit Letter be publicised.

Vote: (unanimous)

39. EXTERNAL AUDIT PROGRESS REPORT AND BRIEFING

Reference was then made to the External Audit Progress Report and Briefing Paper. The purpose of which was to provide the Audit & Governance Committee

with a report on the Audit Commission's progress in delivering their responsibilities as the Council's external auditors.

Mr S Johnson, Audit Manager, referred to the 2010/2011 audit plan and highlighted the key developments for 2010/11 which included changes to International Standards on Auditing (ISAs)

It was proposed, seconded and –

RESOLVED:

That the External Audit Progress Report and Briefing be noted.

Vote: (For Unanimous)

40. NON-COMPLIANCE WITH FINANCIAL AND CONTRACT PROCEDURE RULES

The Audit Manager presented this item, the purpose of which was to report on any non-compliance with the Council's Contract and Financial Procedure Rules and any matters where the Strategic Director (Resources) had authorised exceptional matters.

She advised that this report listed the matters approved, together with any non-compliance matters since the last report in September 2009.

The Audit Manager outlined individually and in detail the matters listed and the reasons why they were approved. One of the items approved was assessment of private water supplies.

Councillor P Pennington declared a personal interest as he has a private water supply.

Mr Ashworth asked for an explanation of the Council's procurement function and questioned whether there was a sufficient division of duties. The Head of Finance & Performance provided an explanation and added that dependent upon the size of the contract, at least two officers are involved.

It was proposed, seconded and

Resolved:

That Members acknowledge the exceptions approved by the Strategic Director (Resources) and the matters of non-compliance.

(Vote: For - unanimous)

41. INTERNAL AUDIT QUARTER TWO PERFORMANCE REPORT

The Audit Manager presented her report which detailed the performance of the audit team during the second quarter of 2010/2011. She advised Members that specialist contract auditors had been engaged to carry out audit inspections of the Local Strategic Partnership (LSP), the North Devon+ Partnership and the Council's Grounds Maintenance Contract.

The Audit Manager also highlighted the changing risks due to the current economic climate which could increase the threat of fraud, and the actions internal audit take to ensure controls are in place and operate effectively.

Specific detail contained in the Quarter Two Performance Report was then discussed with particular emphasis on the audit of the Payroll system. The Audit Manager's recommendations were noted and Members requested that, if feasible, the new controls should be finalised early in the New Year.

Mr Ashworth expressed concern at the apparent incompatibility of the HR and Payroll systems. The Audit Manager provided an explanation and added that whilst having two separate systems was not a perfect situation, each service required differing information and both were satisfied with the results and the control environment was adequately maintained.

The Chairman added that he was very impressed with the Council's audit and accounting systems.

It was proposed, seconded and -

RESOLVED:

- 1) That the Quarter Two Performance Report be noted, and
- 2) That a report dealing with the review of the controls in relation to members allowances be drawn up and if feasible brought to the January 2011 meeting of this Committee.

Vote: (For – Unanimous)

The meeting commenced at 2pm and finished at 3.50 pm

Signed:

Date: