

## Annual Report of the Audit Committee for 2012/2013

The first meeting of the year took place on the 8<sup>th</sup> May 2012, when the committee kindly re-elected me as Chairman for the forthcoming year and Councillor Binks was elected as Vice Chairman.

At this meeting the committee received feedback from Councillor Evans following a meeting he had had with the Head of Housing and Property Services. This was in relation to concerns raised from the internal audit report. Thankfully the committee was re-assured that issues were being monitored satisfactorily. It was agreed that it would be more helpful to the Audit Committee if the relevant facts and figures had been included in the report. The Audit Commission also reported that there had been a number of failures which had been identified for the interim External Audit report for 2011/2012; however it was satisfied that these were being picked up by the Council's internal audit. The Committee were advised that the Audit Commission would provide an unqualified opinion at this stage if required. It was also announced at this meeting that Grant Thornton would act as the Council's new external auditors. Throughout the year it has really helped that the Audit Committee has been in receipt of the Internal Audit reports prior to each relevant meeting. This has meant that the contents of the reports could be digested and the appropriate comments/actions made at meetings. The Committee agreed that some target dates on the payroll report should be sooner than the suggested date because it was a question of human accuracy rather than a process.

The Committee took the opportunity to have an interim meeting prior to the June meeting to receive a detailed explanation of the Annual Governance Statement for year 2011/2012. This proved very beneficial and greatly helped the understanding of the committee members of how having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed Council.

At the meeting 26<sup>th</sup> June it was agreed that the Head of Finance could sign off the draft accounts.

The key messages in the accounts were:

1. The overall General Fund balance as at 31/3/2012 was £2,455K
2. The final year end position on the Housing Revenue Account was showing an under spend of £643K
3. The Housing Revenue Account made a one off self-financing payment of £46.59m to the DCLG associated with the abolition of the current housing subsidy system
4. Capital expenditure had amounted to £4173K, the majority of which had been spent on the Council's housing stock. During the year the Council had also carried out a major project to fit 1175 HRA properties with solar panels
5. The overall pension Scheme deficit increased by £11,843K due to a number of changes in Actuary assumptions underlying the present value of the scheme liabilities
6. Heritage assets of £925K were now included on the Balance Sheet due to a new accounting changed implemented

The Annual Governance Statement and action plan for 2011/2012 was approved. The Committee was disappointed to learn that the Systems audits had fallen behind due to staff shortages, it was confirmed that the team would be able to catch up on the planned work load. Concerns were raised over the debt recovery internal report and it was agreed that the management team would address the issues raised. It was pleasing to hear that housing rent arrears were currently at their lowest, but it was felt this should be carefully monitored due to the benefit reforms which are due.

Our September meeting was the first to deal with both Audit and Standards issues. This also meant that the Committee's size increased from 4 to 5. Councillor Holloway was welcomed to the newly formed Committee. It was decided to run the meetings going forward in 2 parts. Firstly Audit matters, followed by any Standards issues.

At the meeting it was very encouraging to hear that the Audit Commission's Annual Governance Report for 2011/2012 confirmed the continued trend of improvement. An unqualified opinion was issued which was excellent news. It was also resolved that the letter of representation be signed by the Head of Finance. The final accounts for year end 2011/2012 were approved and the Audit Commission confirmed that it would be issuing an unqualified opinion on the accounts. At this meeting the Committee expressed its deep concern regarding the Leisure Services Audit Report and in particular the technology/software systems plus staffing. It was agreed to invite the Head of HR and the Leisure Facilities Manager to the next meeting to discuss the issues and the Committee requested that a follow up audit be conducted as soon as possible in the New Year.

At this meeting a recommendation was put forward to the Cabinet, that it recommends to Council that the Personnel Panel be abolished and deleted from the Constitution. It was also recommended to Council that it supported Councillor Pugsley's motion 460 regarding the Personnel Panel.

The Committee was updated regarding on going complaints and a complaints procedure for the assessment and determination of allegations of breaches of the Members Code of Conduct was approved .

At the November meeting concerns were raised regarding the Income & cash Collection audit because there had not been reconciliation since June 2012. The committee were reassured that this was not unusual at this time of year due to the work involved with the Council's end of year accounts. The reconciliations were will now be bought up to date. Following concerns at the previous meeting regarding the Leisure services Audit Report, the Head of ICT attended the meeting to discuss the Leisure Services computer system. It was agreed from these discussions to, at the next meeting:

1. Receive an update report on the Leisure ICT system
2. Receive a copy of the ICT work programme
3. A leisure services member of staff attended, to report on their experience of using the system on a day to day basis

Councillor Pugsley requested further information regarding the staff disciplinary appeals process. This was explained by the Head of HR and to back this up a flow chart showing the appeals process was circulated to all members

The Committee received a report from the Head of Finance regarding the progress towards publishing a new revised of Financial Regulations. It was agreed that the full document, once ready should be reviewed by the Audit Committee and then circulated to all members for information purposes.

An updated constitution report was received following the removal from the establishment of the Head of Legal & Democratic Services post. After much discussion it was recommended to council that a. the Head of Communities and Governance became the new Monitoring Officer and has full legal support as necessary and b. constitutional changes be made to Articles 12, 14 & 15 and the scheme of delegation to reflect the changes to the Monitoring Officer.

The meeting also resolved that the revised hearing procedure following allegations of breaches to the Members Code of Conduct be approved and the listed dispensations under the new code of conduct for Mid Devon District Councillors and co-opted members be approved for the period 2012 to 2015. The committee was also informed as to which members were to be part of the working group to look at updating the constitution.

In January the Audit Committee welcomed Grant Thornton as the new external auditors to the meeting. It was confirmed that the planned Audit fee for 2012/2013 would be 40% less than the previous year because national research was not required and only the work for local audit would be charged. It was also confirmed that Grant Thornton would be the external auditors for a further 4 years. After this the contract would go out on an open tender.

The Head of ICT presented a very interesting and comprehensive report on the ICT work programme including the implementation of the Leisure Centre System. Discussions included the current internal intranet and website improvements. The Leisure Services Manager was also in attendance and confirmed whilst there were many teething problems with the XN Leisure System many had now been resolved and the system was much more efficient.

It was reported that the internal audits were progressing well with 85% of the core audits completed. The meeting raised concerns regarding the Payroll report, but with a new payroll system being implemented on 1<sup>st</sup> April 2013, many of the issues will be eliminated.

Much discussion was held regarding Councillor Roach's motion 467 'this Council recognises that it has on numerous occasions acted illegally and/or in breach of its own Constitution'. The Committee felt that the wording ought to be amended to say 'This Council recognises that it has on occasion acted in breach of its Constitution'. Therefore it was resolved that Council be recommended to reject the motion.

There has been much concern regarding spouse and civil partner information on the internet. It was confirmed that none of the District Council Register of Interest forms had been loaded on to the website yet. Further work is to be carried out to see if they can be password protected to prevent them being copied or printed. It was agreed further guidance would be circulated concerning the definitions of spouse and civil partners to all Members.

I would like to thank both Andrew Jarrett and Amy Tregellus and their respective teams for all their hard work throughout the year. It is very encouraging to see the continued trend of improvement in the Council's performance. I must also thank Sarah Lees for all her help as Committee Clerk, it is much appreciated. Finally I would like to thank the Committee members for all their hard work and support over the past year. It has certainly aided my enjoyment of the role – thank you.

Cllr Sarah Fox  
Chairman of the Audit Committee