

Minutes

Meeting of : Audit Committee
Meeting held in : Committee Room 1, Bourne Hill, Salisbury
Date : 04 April 2006
Commencing at : 10.00 am

Present:

Mrs J Clarkson JP (Independent Person) – **Chairman**
Councillor K C Wren – **Vice Chairman**

Councillors J M Collier and P V H Paisey

Councillors D A Culver and R Britton were in attendance as observers

Officers

David Crook (Acting Chief Executive), Diana Melville (Financial Services), Stewart Agland, Arabella Davies and Haylea Fryer (Democratic Services)

Also present

Peter Brown and Melanie Watson (Audit Commission).

51. Apologies

Councillor P D Edge

52. Election of Vice-Chairman:

Resolved – that Councillor K C Wren be elected the Vice-Chairman for the remainder of the Municipal Year.

53. Public Questions/Statement Time:

There were none.

54. Councillor Questions/Statement Time:

There were none.

55. Minutes:

Resolved – that the minutes of the meeting held on 10 January 2006 (previously circulated) be approved and signed by the Chairman.

56. Declarations of Interest:

There were none.

57. Chairman's Announcements/Questions:

The Chairman informed Members that with reference to the appointment of a second independent person to the Audit Committee, an advert had been placed in the Salisbury & Amesbury Journal (30th March). So far, five responses had been received. Diana Melville would progress the matter further in liaison with the Chairman and interviews would be held in due course.

58. Annual Audit and Inspection Letter:

Melanie Watson (Audit Commission Relationship Manager) presented the Annual Audit and Inspection Letter (previously circulated). She drew Members' attention to the section entitled Direction of Travel Report, which detailed progress against the improvement priorities of the Council. She emphasised that the message here is a positive one; the performance of the Council is going in the right direction and SDC often appears in the top 25% of Local Authorities across the country.

Next year, the Direction of Travel will be a scored judgement and will thus become a more robust and structured form of assessment. In the meantime, the Council should be happy with its current progress.

Agreed –

- (1) That the first line of Paragraph 2 of the Annual Audit and Inspection letter be amended to include the score range of 0-3 so as to put into context the Council's good score of two stars.
- (2) That in view of the fact that the Cabinet intends to reconstitute the CPA Board, Melanie Watson be invited to speak to the new CPA Board in due course.

Peter Brown (Audit Manager) drew the Committee's attention to the second key part of the Audit and Inspection Letter, which focused on accounts and governance and included assessment of the Council's use of resources. He explained that the use of resources has assumed greater significance under the Comprehensive Performance Assessment (CPA).

The Committee noted that under paragraph 79, the Council had scored 2 out of 4 for both financial reporting and financial standing. The Committee hoped this score could be improved. David Crook informed the Committee that to improve the score from 2 to 3 was relatively straightforward, however to move from 3 to 4 carried resource implications and some may be beyond the Council's stretch. Although the criteria for scoring would remain the same, in order for the Council to retain its 3 out of 4 assessment, work would continue to be required.

With reference to paragraph 66, the Committee noted that the projected expenditure for 2005/06 was approximately £300,000 more than the Council's budget of £11.9million. The potential impact of this was that the general fund balance would fall below the guideline level set out in the Council's medium term financial strategy (MTFS).

With reference to paragraph 69, the Committee was concerned to note that the Council's pension liability had increased from £9.7 million at 31 March 2004 to £19.2 million at 31 March 2005. Members of the Committee had understood that the Council had paid a substantial amount of capital to lessen the burden.

The Chairman pointed out that this matter had been discussed previously at the meeting held on 10th January 2006 (minute 45 refers) where the Committee had noted that this issue was being addressed and feedback would be provided to ensure that the remedial action put in place was having the desired effect.

Further to this, David Crook confirmed that SDC had indeed paid a capital sum and had also increased the Employer's contribution to the pension fund.

The Committee felt that Paragraph 69 oversimplified matters currently affecting the pension fund issue.

Agreed –

- (1) That the Audit Commission be requested to reflect the fact that there are a number of issues affecting the current pension fund situation and that the matter as set out under paragraph 69 is just one of the influencing factors.

- (2) That the Audit Committee continue to review the issue of pension funding for the foreseeable future.
- (3) That the Audit Committee continue to review and receive updates on the Council's MTFS to ensure that the situation as outlined in paragraph 66 of the Annual Audit and Inspection letter does not deteriorate further.

59. Internal Audit Plan:

The Committee considered the report of the Chief Internal Auditor, Diana Melville (previously circulated) and noted that 544 audit days for 2006/07 had been calculated.

Members of the Committee queried whether this calculation included any contingency. David Crook advised the Committee that issues such as the proposed Housing Stock Transfer could have implications for internal audit, which would impact on the current internal audit plan for 2006/07. In cases such as this, available resources would either need to be increased or the audit work programme would need to be altered. The Cabinet would be consulted and asked to recommend appropriate action.

In these circumstances, the Audit Committee would be kept informed of any alterations to the Internal Audit Plan.

Agreed - that the audit plan for 2006/07 be approved.

60. Assessment of Risk Maturity and Risk Management Group Work Programme:

The Committee considered the report of the Chief Internal Auditor, Diana Melville (previously circulated):

Agreed –

- (1) That the assessment of Risk Maturity and Risk Management Group work programme be noted.
- (2) That consideration be given as to how risk assessment could be embedded in the culture of the organisation.

61. Update of 2005 Statement on Internal Control Action Plan:

The Committee considered the report of the Acting Chief Executive, David Crook (previously circulated).

Agreed –

- (1) That the progress made be noted.
- (2) That the recommended tasks for inclusion in the statement on Internal Control Action Plan for 2006, including risk management and the proceeds of crime act (with a completion date), be approved.

62. Early Review of New and Amended BVPIs During Quarter 3 2005/06

The Committee considered the previously circulated report of the Performance Improvement Manager, Haylea Fryer.

Agreed – that early review of new and amended BVPI's during the third quarter for 2005/06 be noted.

63. Date of Next Meeting:

Agreed – that the next meeting of the Committee be held on 13 June 2006, in Committee Room 1 at 10.00 am.

The meeting concluded at 11.45 am