

Unconfirmed minutes – to be confirmed at the next meeting of the Audit Committee

SOUTH DOWNS NATIONAL PARK AUTHORITY

MEETING OF AUDIT COMMITTEE MEETING HELD ON 5 APRIL 2011

Held at Capron House, Midhurst

Present:

Norman Dingemans	Ken Hunt (independent member)	Mark Kemp-Gee
Susan Warren	Margaret Paren (ex-officio)	Charles Peck (ex-officio)

Officers: Catherine Vaughan (Chief Finance Officer), John Beckerleg (Director of Corporate Services), Fiona MacLeod (Member Services Manager)

APOLOGIES

36. Apologies were received from Lewis Doyle (Independent Member) and Susan Tarrant.

INTERIM RE-ELECTION OF THE COMMITTEE CHAIR AND DEPUTY CHAIR

37. Norman Dingemans and Susan Tarrant were re-elected as the Chair and Deputy Chair respectively of the Audit Committee for the interim period until the first meeting of the Committee after the Annual Meeting of the Authority, at which point a new election would be conducted in accordance with Standing Orders.

DECLARATIONS OF INTEREST

38. There were no declarations of interest.

Ken Hunt joined the meeting at 10.32am

MINUTES

39. The minutes of the Audit Committee meeting held on 18 January 2011 were approved and signed as a correct record by the Chair.
40. With reference to the annual investment strategy, the Chief Finance Officer explained that the South Downs National Park Authority (SDNPA) made its own decisions regarding investments and as a result would be liable for any financial loss. Brighton & Hove City Council was acting on behalf of the SDNPA. The Authority's Annual Investment Strategy had been approved at the SDNPA meeting held on 29 March 2011.
41. With reference to minute 22 regarding the decision on whether or not to implement a full purchase order system for 2011/12, Members were advised that this was not being taken forward for 2011-12 but would be considered when the specification for the Financial Services tender from 1 April 2012 was prepared.
42. With reference to minute 26, it had been agreed that Hampshire County Council Internal Audit would provide an assurance letter to cover overarching risks for the SDNPA for the purposes of producing the Annual Governance Statement. A priority

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for Q1 of 2011/12 would be to undertake an IT risk assessment to inform a programme of work for the first full operational year of the SDNPA.

URGENT MATTERS

43. There were no urgent matters raised.

PUBLIC PARTICIPATION

44. There were no members of the public present.

BUDGET MONITORING REPORT QUARTER 3 2010/11

45. The Committee considered a report introduced by the Chief Finance Officer (Report AC 05/11) informing Members of the budget monitoring for the third quarter of 2010/11 as previously reported to the Resources & Performance Committee.
46. Members attention was drawn to the underspend relating to the recruitment of permanent posts which had been slower than anticipated.
47. During discussion, officers clarified the following in response to Members' questions:
- There was a public focus on the levels of reserves held in the public sector. However, although the Government would not be able to 'claw back' such reserves, Members were advised that an inappropriately high level of reserves could impact on future funding opportunities;
 - The variance of £259k against vehicles was to fund the purchase of the SDNPA fleet; and
 - The variance against Property Services was partly to fund the purchase of Capron House.
48. **Resolved:** that the Committee notes the Budget Monitoring Quarter 3 report for 2010/11

INTERNAL AUDIT UPDATE

49. The Committee considered a report introduced by the Chief Finance Officer (Report AC 06/11) informing the Members of the work of Internal Audit and invited the Internal Auditor to update Members on progress since the report had been written.
50. Creditor Accounts Payable had achieved a 'substantial assurance' and Allowances had received a 'reasonable assurance'. Further reports were in the process of being signed off. In addition, positive progress had been made in the Governance Framework, with nine out of the ten recommendations completed.
51. During discussion, officers clarified the following in response to Members' questions:
- An area of weakness from a budget management perspective was the level of information available to budget holders regarding staffing costs in the transitional year;
 - A 'substantial assurance' was a very positive outcome; and

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- Levels of authorisation had been put in place for procurement and payment authorisation activities as part of a management control system and these would be reported at a future meeting

Margaret Paren left the meeting at 10.55am

- Assurance was given that monthly accounts would continue to be monitored by the SDNPA Senior Management Team to identify any concerns. In addition, there was quarterly reporting to the Resources & Performance Committee;
- The delivery of the Internal Audit Plan agreed by the Authority in September 2010 would provide sufficient information on all work undertaken during the shadow year, and would be reflected in the Annual Governance Statement; and
- In future a summary would be provided to Committee Members which identified when recommendations had not been implemented following a report.

52. **Resolved:** that the Committee notes the progress against the Internal Audit Plan and the implementation of recommendations previously made.

RISK MANAGEMENT STRATEGY

53. The Committee considered a report (Report AC 07/11) seeking approval of the Strategy, which was introduced by the Director of Corporate Services who reminded Members of the recent Risk Management workshop on this subject.
54. A regular dialogue would be needed between the Chief Executive Officer and his Senior Management Team to ensure risks were being assessed and this process would be reviewed in six months' time for effectiveness. Particular risks could be the focus for an informal meeting with such officers.
55. **Resolved:** that the Committee approves the Risk Management Strategy (April 2011 – March 2013) as set out at Appendix 1 to the report.

CORPORATE RISK REGISTER

56. The Committee considered a report introduced by the Director of Corporate Services (Report AC 08/11) presenting the SDNPA's Corporate Risk Register as at March 2011.
57. The severity of Risk 19 – 'Failure to meet high expectations for the National Park from stakeholders and communities' was highlighted and would continue to be reported to the Committee.
58. **Resolved:** that the Committee approves the Corporate Risk Register as at March 2011

ANNUAL GOVERNANCE STATEMENT

59. The Committee considered a report introduced by the Director of Corporate Services (Report AC 09/11) explaining the requirement for an Annual Governance Statement and the approach being taken to prepare the Statement for 2010-11.

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60. The Chief Finance Officer explained that the Statement would be concise and include material significant weaknesses and areas to be prioritised for improvement.
61. **Resolved:** that the Committee endorses the approach being taken to prepare the Annual Governance Statement for 2010-11.

ACCOUNTS AND AUDIT REGULATIONS AND REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

62. The Committee considered a report introduced by the Chief Finance Officer (Report AC 10/11) updating the Audit Committee on likely changes to the Accounts and Audit Regulations and the Review of the Effectiveness of Internal Audit. The Committee would receive a final report at the June 2011 meeting
63. The Chief Finance Officer explained that although a further report and the draft accounts would be brought to the June 2011 Committee meeting for information purposes, it was the responsibility of the Chief Finance Officer to formally approve the accounts.
64. **Resolved:** that the Committee
1. notes the likely changes to the Accounts and Audit Regulations and how they will impact on the role of the Committee and key timelines for decisions.
 2. notes the background information for the Review of the Effectiveness of the Internal Audit and that a further report will be brought to this Committee in June

ANTI-FRAUD AND CORRUPTION POLICY

65. The Committee considered a report introduced by the Director of Corporate Services (Report AC 11/11) presenting the draft SDNPA Anti-fraud and Corruption Policy.
66. Clarification would be sought regarding the referral of cases to the Standards Board of England where it involved a Councillor (i.e. a member of a local authority) as opposed to any Member of the SDNPA.
67. Training events would be arranged for SDNPA managers in the summer and Audit Committee Members would be welcome to attend.
68. **Resolved:** that the Committee approves the draft SDNPA Anti-fraud and Corruption Policy.

WHISTLE BLOWING POLICY

69. The Committee considered a report introduced by the Director of Corporate Services (Report AC12/11) setting out a draft Whistle blowing Policy which was intended to provide an effective way in which people working for the SDNPA could raise concerns.
70. Work had been undertaken in consultation with the relevant unions and an update on progress would be reported at the June 2011 Committee meeting.

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71. **Resolved:** that, subject to inclusion of amendments, the Committee approves the Whistle blowing Policy as set out in Appendix 1 to the report.

BRIEFING ON THE PREPARATION OF THE FINANCIAL STATEMENTS

72. The Committee received a presentation from the Chief Finance Officer (copy available on request). Following the presentation, it was acknowledged that a mechanism would be put in place to record leave entitlement liability from one financial year to the next.

OPINION AUDIT PLAN AND AUDIT FEE 2011/12

73. The Committee considered a report introduced by the External Auditor (Report AC 13/11) describing the work to be undertaken to audit the financial statements for 2010/11 and the audit fee for 2011/12.
74. The External Auditor highlighted that although there was still uncertainty concerning the timetable for the abolishment of the Audit Commission, a commitment had been made for a fee reduction in the next financial year.
75. **Resolved:** that the Committee
1. notes the Opinion Plan
 2. agrees the proposed audit fee for 2011/12

AUDIT COMMITTEE – TERMS OF REFERENCE AND MEMBERSHIP

76. The Committee considered a report introduced by the Director of Corporate Services (Report AC 14/11) enabling the Audit Committee to make recommendations in relation to its Terms of Reference and the number of voting Members of the Committee.
77. **Resolved:** that, subject to inclusion of amendments, the Committee
1. recommends the Terms of Reference to the Authority
 2. recommends an increase in the number of members of the Audit Committee from four Members of the Authority to five

ITEMS FOR NEXT AUDIT COMMITTEE MEETING

78. The following items were raised for consideration: financial budgetary control; progress on annual leave entitlement liability; update on training. It was agreed that business continuity would be considered in 2012.
79. The date of the next meeting was confirmed as 20 June 2011 at 10.30am.

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CHAIR

The meeting closed at 12.40pm