

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 30th SEPTEMBER 2009

**PRESENT: Councillor Morris (Chair)
Councillors Aldred, Cheetham (substituting for Evans), Dickinson,
Haworth, Lynskey and J Pilling**

Heather Massie (Co-opted Member)

**IN ATTENDANCE: Phil Seddon, Head of Financial Services
Janice Crawford, Finance Manager
Andrew Fox, Principal Auditor, Lancashire Audit Service
Zaheer Abbas, Senior Auditor, Lancashire Audit Service
Clive Portman, Audit Commission
Tony Hough, Audit Commission
Pat Couch, Scrutiny Support Officer**

1 Member of the public

1. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Evans.

2. MINUTES OF THE MEETING HELD ON 30 JUNE 2009

Resolved:

That the Minutes of the meeting held on 30 June 2009 be signed by the Chair as a correct record.

3. DECLARATION OF INTEREST

There were no declarations of interest.

4. URGENT ITEMS OF BUSINESS

There were no urgent items of Business

5. PUBLIC QUESTION TIME

A question was raised in relation to the Council having successfully reclaimed VAT money which was wrongly claimed by HM Revenue & Customs, in the early 1990's and whether the money actually belonged to the Council. The Head of Finance and the District Auditor confirmed that the money did belong to the Council and that the nationally the Council was not alone in challenging Customs and Excise.

6. RISK MANAGEMENT STRATEGY UPDATE

The Head of Financial Services gave an update on Risk Management Strategy which was last adopted in 2006. The reason for the update was to take in the changes in the management structure. The significant changes were

- A definition of the Council's risk appetite in order to have a consistent approach to the evaluation of risk
- Replacing the previous Operation Risk Management Group with the Executive Management Team, to ensure that the ownership of the Council's approach to risk management resides with the most senior officers
- Confirm monitoring arrangements via Covalent and the Integrated Performance Management report
- Revised action plan for the medium term

Risk Management sits alongside Performance Management and Financial Management. All Heads of Service now have Risk Management in their responsibilities and risk is now a corporate function.

A question was raised about responsibility, ownership and liability pertaining to contaminated land following issues at Corby Council. The Head of Financial Services indicated that it is the landowner who would be liable and that the Council does own a number of quarries. .

The Strategy indicated that Overview and Scrutiny monitored the effectiveness of the Council's risk management and internal control arrangements across the Council and it was pointed out that this was included instead within the Terms of Reference of the Audit and Accounts Committee. The Head of Financial Services agreed to amend the Strategy.

7. INTERNAL AUDIT REPORT

The Principal Auditor introduced the Internal Audit Report, which was presented by the Senior Auditor for the period ending 31st August 2009, indicating that from the work undertaken to date, no significant weaknesses had been identified.

The audit work undertaken during 2009/10 has involved finalising work from the previous year as well as commencing the current audit programme.

The three reviews relating to 2008/09 which have now been completed were:

Cash collection and banking – where minor issues were identified around the banking of cash and cheques at some outlying offices which should be sent to the exchequer on a daily basis and not left overnight.

Data Quality – the audit identified a need for legal services to establish performance indicators within their Business Plan as well as for Human Resources to have better use of their information system in order to manage training and development more effectively. With regard to waste and recycling, it was found that formula errors within

their spreadsheets gave an understatement of their targets.

Leisure Trust – of the eight recommendations raised in the review, four had only been partially implemented, but the Auditor understood that the Council will be in a better position to implement the recommendation following completion of the ongoing review of leisure.

The auditor provided an overview of the key issues and themes ongoing during 2009/10 as detailed below:-

- Council Tax
- Housing Benefits overpayments
- General ledger and budgetary control
- Treasury management
- Project management
- Partnerships
- Fraud risk review
- National Fraud Initiative (NFI) work

Resolved:

That the Audit and Accounts Committee notes the progress report for the period ending 31 August 2009.

8. COMPLIANCE WITH INTERNATIONAL STANDARDS ON AUDITING AND QUALITY CONTROL

The Head of Financial Service presented the above report which was as a result of the Audit Commission's request to seek assurance that the Committee understands the processes for identifying and reporting the risk of fraud. This had been brought about through changes to Audit Standards.

The Head of Finance had prepared a response to the Audit Commission's request for information to support its compliance with the International Standards on Auditing and Quality Control.

Resolved:

That the Committee approve the response prepared by the Head of Financial Services to the Audit Commission, which would be signed by the Chair of the Audit and Accounts Committee.

9. AUDIT COMMITTEE SELF ASSESSMENT QUESTIONNAIRE

The Principal Auditor indicated that it was good practice to periodically evaluate the effectiveness of the Audit and Accounts Committee. Whilst this had been discussed previously with the Committee, it had not been deemed appropriate due to changes in its membership. He presented a copy of a questionnaire which Members could complete. The results of the assessment may highlight relevant areas for development and training for Members in order to enhance effectiveness.

Members agreed to undertake the self assessment and the Principal Auditor indicated that he would draft a covering letter with the questionnaire asking Members to return it to Democratic Services who would then forward these to the Internal Auditors who would analyse the results and present a report to the December meeting.

It was suggested that the questionnaire be sent to all Councillors, as they sometimes substitute on the Committee and a number of them have also received Audit training.

Resolved:

That the questionnaire be sent to all Councillors and a final report on the findings be presented to the December meeting of the Audit and Accounts Committee.

10. ANNUAL GOVERNANCE REPORT 2008/09

The District Auditor presented the Annual Governance Report prepared on behalf of the Audit Commission and asked Members to approve the annual letter of representation before the Auditor issued his opinion, conclusion and certificate.

The District Auditor confirmed the quality of the draft Audit and Accounts approved by the Committee in June 2009 and working papers provided for the audit. Following the audit an amended Statement of Accounts has been submitted at a later item which includes all amendments agreed between Council Staff and the Auditor, including an adjusting post balance sheet event relating to the partial settlement of the VAT claim in July.

The District Auditor informed the Committee that in relation to the Use of Resources, new methodology was now used to inform the results. The Audit Commission had recently undertaken its Use of Resources assessment, which judges how well the Council manages and uses its resources to deliver value for money and better and sustainable outcomes for local people. The outcome of their assessment will be sent to the Council on 19 October, following which the Council had 5 days to appeal against the results. The District Auditor explained that the new methodology and scoring arrangements are more outcome orientated and challenging than in the past and as such retaining the same overall score under the new arrangements has become more difficult for councils.

He highlighted to members the adjusted amendments to the Statement of Accounts.

Members discussed the draft letter of representation from the Head of Finance, confirming that the information placed before the auditor had been complete, accurate and fit for purpose.

The Chair raised concern at some of the wording within the letter and the District Auditor explained that this was a standard letter. The Head of Financial Services confirmed that he had suggested a slightly different form of wording and the District Auditor agreed to feedback the comments to the Audit Commission.

Resolved;

1. That the Annual Governance Report be accepted.
2. That the letter of representation from the Head of Finance be signed and submitted to the District Auditor.

11. STATEMENT OF ACCOUNTS

The Finance Manager circulated an updated list of amendments to the Statement of Accounts and briefly explained to Members the reasons for the amendments, the more significant of which were in relation to the VAT reclaim. The net receipts after consultant's costs was £661k of which £393k was interest. This money was transferred into an Earmarked Leisure Facilities Reserve pending the outcome of the leisure review. There remains a further claim for VAT plus a subsequent claim for compound interest.

Members were also asked to note that the Group Accounts now reflect the final audited position of the subsidiary, Rossendale Transport Limited. There were a few minor amendments in relation to Rossendale Transport Ltd Accounts, which had been identified by their external Auditors.

The District Auditor had uncovered an error on the Collection Fund in relation to the calculation of bad debts provision. This had essentially transferred £83k between Government Creditors and General Creditors reflecting the fact that this amount was no longer due to be paid into the National Non-Domestic Rates pool.

Following the audit the General Fund Balance at 31st March 2009 remains at £942k, of which £58k would be attributable to services in the coming year under the 'roll-over' of un-used budget provisions. This £58k must be used for specific one-off revenue projects which do not incur an on-going revenue burden.

Resolved;

That the Council's amended and audited Statement of Accounts be approved.

The meeting commenced at 6.30pm and closed at 8.20pm

Signed
(Chair)

Date