

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 1st March 2011

**PRESENT: Councillor Morris (Chair)
Councillors Aldred, Driver, Evans, Neal, Robertson, Steen
(substituting for Milling)**

**IN ATTENDANCE: Mr P Seddon, Head of Financial Services
Mr J Crawford, Finance Manager
Mr A Fox, Principal Auditor, Lancashire Audit Service
Mr Z Abbas, Senior Auditor, Lancashire Audit Service
Mr T Hough, Audit Manager, Audit Commission
Mr C Portman, District Auditor, Audit Commission
Mr M Ali, Co-opted Member
Councillor Essex (as Portfolio Holder for Finance and Resources)
Councillor Cheetham
Jenni Cook, Committee Officer**

1. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Milling (Councillor H. Steen substituting).

2. MINUTES OF THE MEETING HELD ON 27TH SEPTEMBER 2010

Resolved:

That the Minutes of the meeting held on 27th September 2010 be signed by the Chair as a correct record.

3. DECLARATION OF INTEREST

Councillor Peter Evans declared a personal interest in all items on the agenda as he had been appointed onto the Lancashire County Council Pensions Committee.

4. URGENT ITEMS OF BUSINESS

There were no urgent items of business.

5. PUBLIC QUESTION TIME

There were no members of the public present.

6. CHAIRS UPDATE

Following a discussion at the previous meeting, the Chair updated Members on the future of the Standards Committee. He reported that the Standards Committee met on 31st January 2011 and resolved that any decision on the future of the Standards

Committee would be deferred pending further investigation into any legislative changes and the Standards Committee would continue in its present form.

7. INTERNAL AUDIT PROGRESS REPORT

The Principal Auditor, Lancashire Audit Service, presented the internal audit progress report which showed the details of internal audit work undertaken to 31st January 2011. This included the work carried forward from audits within the 2009/10 audit plan. From the work undertaken to date there were no significant weaknesses identified that had a material impact upon the Council's internal control environment.

The Principal Auditor gave a brief summary of the internal audit work undertaken and the outcomes of reviews completed since the previous meeting, including suggested improvements to further enhance existing controls. It was noted that a 'funds overridden' report was in development to monitor instances where the established budget has been exceeded. The Head of Finance noted that the Finance Team and Managers communicated regularly regarding departmental finance issues.

In addition it was noted that there had been a reduction in the take-up of Discretionary Housing Payments (DHP) compared with previous years where the full allocation had been distributed. It was noted that action was being taken to promote this relatively small fund, for example, the Service Assurance Team and Capita Team were carrying out marketing in respect of these payments.

It was noted that work had been carried out regarding the National Fraud Initiative (NFI) with 1172 matches found. This compared favourably with the previous year's figure of 1236. It was noted that whilst the potential matches on creditor payments had fallen, the proportion of the matches attributed to travel passes had increased. However, it was noted that these matches did not automatically mean fraud had taken place, for example, if an elderly person had died, then relatives may not have notified the transport company to cancel the card.

Discussion took place on the item and the following issues were raised:-

- Clarification of the planned audit days over the term of the contract against those used to date and planned for the remainder of the 2010/11 audits. The variation over the whole contract is only expected to be 14 days.
- Clarification on how DHP figures are calculated.
- IT contracts and historical arrangements.
- Budget monitoring systems and processes in respect of 'funds overridden' issues.
- Checking of travel passes and potential fraud in respect of blue badges.

Resolved:

That the Internal Audit Progress Report for the 10 months to 31st January 2011 be noted.

8. ANNUAL AUDIT LETTER 2009/10

The District Auditor outlined the Annual Audit Letter 2009/10 which summarised the

audit of the Council's financial statements and an assessment of the Council's arrangements to achieve value for money in the use of its resources. The District Auditor noted that any issues which had been identified during the review were primarily of a minor nature and involved mainly classification issues in the disclosure notes. It was noted that at the end of May 2010, work on Comprehensive Area Assessment (CAA) ceased and accordingly, the value for money conclusion contained CAA work up to this date only.

No significant weaknesses had been found and it was noted that that Council had good arrangements in place for planning the use of its finances.

Discussion took place on the item and the following issues were raised:-

- National Fraud Initiative and clarification of the projected savings figures.
- Audit fees and average daily rates.

Resolved:

1. That the Annual Audit Letter is noted.

9. AUDIT PLAN 2010/11

The Audit Manager introduced the Audit Plan for 2010/11 which outlined the proposals in respect of audit work specified by the Audit Commission for 2010/11, current national risks relevant to the Council's circumstances and local risks. It was noted that the proposed audit fee for 2010/11 would be subject to a reduction and was anticipated, subject to affordability, to be £98,010.

The Audit Manager briefly outlined work which would be undertaken with regard to International Financial Reporting Standards (IFRS) and it was noted that this was identified as a potential risk for all local authorities due to the need to move from one set of working practices to another.

The Audit Commission noted that in terms of IFRS and presentation of early skeleton accounts, Rossendale was one of only 3 or 4 Councils regionally who were in a position to present full drafts for Audit Commission review at this time.

Discussion took place on the item and the following issues were raised:-

- Reduction of audit fees and calculation of reduced fees.
- Early presentation of skeleton accounts and the favourable impacts on the coming closure of 2010/11 accounts.
- Potential changes to the Audit Regulations which may remove the requirement for this Committee to review and approve the Draft 2010/11 Statement of Accounts before they are presented for audit and inspection in June 2011.

Resolved:

- That the Audit Plan 2010/11 is noted.

10. CERTIFICATE OF CLAIMS AND RETURNS – ANNUAL REPORT 2009/10

The Audit Manager introduced the report which had reviewed the funding that the Council had received from government grant-paying departments. The Council was required to demonstrate to its auditors that it has met the conditions attached to the grants and has complied with the regulations for compiling financial returns.

The report summarised the 2009/10 certified claims which consisted of:-

Above £500,000

- Housing and Council Tax Benefit Subsidy
- National Non-Domestic Rates Return

Between £125,000 and £500,000

- Disabled Facilities Grant
- Sustainable Economic Development Programme

The Audit Manager confirmed that the certification work carried out did not identify any concerns about the Council's arrangements and therefore, no recommendations for improvement had been made.

Resolved:

That the Certificate of Claims and Returns – Annual Report 2009/10 is noted.

11. PROGRESS REPORT ON THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Finance Manager introduce the report which updated Members on the implementation of the International Financial Reporting Standards (IFRS) and outlined the Council's statutory duty to submit the 2010/11 accounts under the IFRS rules. It was noted that this report had been carried forward from November 2010's cancelled committee. In light of the time pressure for this project, the full re-stating of the Statement of Accounts and submission to the Audit Commission for initial inspection had continued and Members were asked to ratify the recommendations proposed for the November 2010 committee with an additional recommendation to note the 2010/11 skeleton Accounts.

The Finance Manager outlined the activities and training to implement IFRS and it was noted that the IPF Asset Management System installed in 2007 had assisted greatly with the implementation.

The Finance Manager highlighted any major issues within the report and it was noted that the only significant net effect of the changes would be the transfer of £85,000 out of the General Fund Balance to Short Term Creditors for the value of employee leave carried forward at March 2010.

Discussion took place on the item and the following issues were raised:-

- Clarification of component accounting and the policies required.
- Carrying forward of annual leave by staff.
- The timetable for approval of Rossendale Transport's Accounts and the impact this has upon the work plan for preparation and audit of the Council's Accounts for 2010/11.
- Appropriate training of Members.
- Valuation of assets.

Members suggested that consideration be given to deferring agreement on recommendation 9.2, in order to allow Officers to carry out further benchmarking with other Local Authorities on the de-minimis value to identify 'larger' assets.

Resolved:

1. That Members approve the adjustment of £85k from the General Fund Balance to create a short term creditor for the value of employee leave entitlement carried forward.
2. That Members defer the accounting policy amendment for componentisation suggested at 4.5.1.5 of the committee report – to allow for further research to be undertaken on the de-minimis value for 'larger' assets.
3. That the amended Core Statements as presented at Appendix 2 of the committee report are approved to be used to re-draft the Statement of Accounts for the year ended 31st March 2010.
4. That the skeleton 2010/11 Statement of Accounts at Appendix 2 of the committee report are noted.

The meeting commenced at 6.30pm and closed at 8.05pm

Signed
(Chair)

Date