

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 6th September 2011

**PRESENT: Councillor Aldred (Chair)
Councillors Evans, Essex, Morris, Neal, Robertson**

**IN ATTENDANCE: Mrs J Crawford, Finance Manager
Mr A Fox, Principal Auditor, Lancashire Audit Service
Mr C Portman, District Auditor, Audit Commission
Mr T Hough, Audit Manager, Audit Commission
Mr M Ali, Co-opted Member
Mrs J Cook, Committee Officer**

1 member of the public

1. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Driver (Councillor Essex substituting) Mr P Seddon and Mr Z Abbas.

2. MINUTES OF THE MEETING HELD ON 15TH JUNE 2011

Resolved:

That the Minutes of the meeting held on 15th June 2011 be signed by the Chair as a correct record, subject to it being noted that Councillor Robertson was in attendance.

3. DECLARATION OF INTEREST

Councillor Peter Evans declared a personal interest in Item 8 as he was a member of the Lancashire County Council Pensions Committee in his capacity as a County Councillor.

Councillor Essex did not declare an interest at this point on the agenda, however at Item 9, declared a personal interest as he was a member of the Board of Rossendale Transport.

4. URGENT ITEMS OF BUSINESS

There were no urgent items of business.

5. PUBLIC QUESTION TIME

The Chair noted that the member of public present would be allowed to ask questions as the items were taken on the agenda.

A question was asked that did not relate to items on the agenda, which asked for the published corporate spend analysis to be updated and a query was raised regarding

the format and layout. The Finance Manager noted that this would be updated as a priority and stated that the document was published in two formats; a pdf document and in excel format. The excel document was a sortable and searchable document which could be adapted to an individual user's needs. The Finance Manager informed the member of public that she would provide assistance outside of the meeting.

6. CHAIRS UPDATE

The Chair noted that the former Vice Chair of the Committee, Councillor Marriott had been appointed to the Cabinet and was no longer appointed to the Committee. Councillor Marriott's replacement to the Committee would be appointed in due course.

7. INTERNAL AUDIT PROGRESS REPORT

The Principal Auditor introduced the report which outlined the work carried out by Internal Audit for the period ending 31st July 2011 and noted that they had found 'no significant weaknesses' during the course of audit work undertaken in that period. The report also highlighted the work planned for coming year, and confirmed that a number of planned reviews were currently in progress.

The Principal Auditor reported the outcomes of three audit reviews that were ongoing at 31st March 2011 and had subsequently been finalised. These were in relation to reviews of accounts payable, accounts receivable, and National Non Domestic Rates (NNDR). The following points were made:-

Accounts payable:

- Self-authorisation limits – a recommendation was previously made to reconsider order authorisation limits in light of the lack of a segregation of duties between ordering goods and receiving goods on the purchasing system. This was being considered by the Head of Finance though it was noted that compensatory controls were in place.
- The 2009/10 audit also made a recommendation that a duplicate payments report is produced and reviewed on a regular basis. This was now in the process of being implemented.

Accounts receivable

- It had been recommended that the Sundry Debt Management Policy be adhered to, in that bad debts over 180 days be coded to the service team account where the income was originally receipted. This is currently on hold pending the use of the general Bad Debts Provision as reported within the monthly financial monitoring reports. When those resources are exhausted the cost of writing off bad debts will be charged to originating departments.
- It was noted that the Sundry Debt Management Policy stated that if payment was not received, interest would be charged at a minimum of 8% and that the council should (unless there are exceptional circumstances) charge the standard rate of interest on any commercial debt which is being paid by instalment. The audit had recommended that either the policy is updated or enforced.

NNDR

- It was recommended that the existing schedule of empty property inspection be changed to take into account recent changes in NNDR relief available to enable resources to be used more effectively.

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

- NNDR - It was noted that recent changes to the inspection regime were being implemented and an impact assessment was being carried out by the service area. The Finance Manager was requested to find out whether the NNDR 'holiday' was still in place. Discussion took place on empty shops, particularly with regard to the Valley Centre and whether interest was added and backdated after a 'holiday' period. The Finance Manager would investigate this matter.
Accounts receivable
- Discussion took place on the 8% rate of interest for Sundry Debtors. It was noted that the 8% had been applied to one sundry debtor, however it was noted that in difficult financial times, the Council must be careful when applying interest to debts.
Accounts payable
- Discussion took place on the controls in place regarding self-authorisation limits and the Finance Manager clarified the existing controls in place, the budget availability warning, and the weekly report of all orders issued, which is reviewed by the Finance Manager. Ultimately the weekly pre-payment report highlights items over £5k and is reviewed by the Finance Manager or Head of Finance and Property Services before any payments are issued.
- It was noted that the issue of duplicate payments had been greatly reduced by the NFI initiative. It was noted that the initiative had had a massive impact nationally, for example cross-matching data across different public sectors, e.g. Councils and NHS. On a local level, the Finance Manager noted that when the Council has successfully identified and prosecuted fraud, this was publicised via press releases and on the Council's website.
- Discussion took place on the remit and level of involvement that the auditors could have within Councils, particularly with regard to partnership and waste and recycling matters. It was agreed that the Head of Customers and Communities would be requested to prepare a report for the next meeting which would outline the progress made in implementing previously agreed audit recommendations, in particular the key recycling target, LI82aii. The Principal Auditor would investigate the possibility of releasing the full audit report to the Committee Members.

The member of the public asked about the remit of the Auditors, should the public have doubts regarding the accuracy of finance reports and works carried out. It was noted that members of the public were entitled each year during the Audit and Inspection regime to ask the District Auditor to make enquiries and that this was advertised in the press and on the website in early July. The District Auditor also clarified the remit of Auditors and confirmed that random checks were carried out on financial transactions as part of their audit programme.

Resolved:

1. That the Internal Audit Progress Report for the four months to 31st July 2011 is noted.
2. That the Head of Customers and Communities would be requested to prepare a report for the next meeting which would outline the progress made in implementing the recommendations arising from the previous audit review of waste and recycling.

8. ANNUAL GOVERNANCE REPORT FROM THE AUDIT COMMISSION

The District Auditor introduced the report which outlined the key findings from the 2010/11 audit, which was substantially complete. The Committee were asked to take note of the adjustments to the financial statements set out in Appendix 2 of the Annual Governance Report and that the letter of representation, which had been circulated at the meeting, be approved on behalf of the Council. Upon approval of the letter, the District Auditor would then issue his opinion and conclusion.

The District Auditor noted that the move to the new IFRS system had created some issues for Councils which had resulted in some of the amendments listed in Appendix 2.

The District Auditor noted that Appendix 3 of the Committee report set out one error that management had chosen not to adjust for, principally:-

- 'The council has capitalised £213k of interest associated with it's borrowings to finance the leisure improvement project. Income of £85k generated by the investment of these borrowings pending the capital expenditure being incurred has been recognised in the Comprehensive Income and Expenditure (CIES). This income should have been netted off the interest capitalised under the IFRS principles. As a result assets within the balance sheet and income in the CIES are overstated by £85k'. The recommendation was to ensure the 2011/12 accounts correctly account for borrowing costs eligible for capitalisation.
- The Finance Manager clarified the procedural reasons for not adjusting this error and it was confirmed that similar transactions in future would be treated correctly. The Finance Manager also confirmed that the £85k interest income attributable to the PWLB loan funds had been used to fund the capitalised interest costs of the loan.

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

- The hard work of finance officers and the Audit Commission over the past 12 months was noted.
- It was noted that due to the preparation which had taken place to implement IFRS, the statement of accounts had been produced extremely early and that this had enabled the Audit Commission to move their normal timetable forward by 3 weeks.

The member of public requested clarification on the PWLB loan and it was noted that

this was taken out following Council's decision to proceed with the Leisure Investment Project and at a time when interest rates were predicted to rise.

Resolved:

1. That the Annual Governance Report 2010/11 and the adjustments set out in Appendix 2 of the report are noted.
2. That the letter of representation to the Audit Commission be approved and signed.

Note: the letter was signed by the Finance Manager and the Chair at the meeting.

9. STATEMENT OF ACCOUNTS 2010/11

The Finance Manager introduced the report which sought Member approval for the Statement of Accounts for the year ended 31st March 2011, following the public audit, including the changes made since the submission of the draft accounts to June's Committee.

The Finance Manager outlined Appendix 1 to the Statement of Accounts which listed the significant amendments made during the audit, with particular reference to the following:-

- At Note 8 – the re-classification of 2 provisions as earmarked reserves was discussed. It was noted that this had no impact on cash flow and related to the definition of creditor and provision. The effects of this have been reflected in the July Financial Monitoring Report.
- Note 14 – inclusion of heritage assets – next year's accounts would include the Mayoral Regalia, the value of which pertains to the 2008 insurance review. Given the rising price of gold this may need to be reviewed again prior to the preparation of the 2011/12 accounts.

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

- With regard to Note 2, an update on the financial position of the markets in 2011/12 was requested. The Finance Manager would investigate and provide an update to the next meeting.
- The market value of Futures Park was clarified. It was noted that the term 'market value' did not infer that the Council was considering disposal of the asset.
- Clarification was given on the income provided by solar panels which has been installed on the roof of Futures Park. The Finance Manager would ascertain what type of panels were in use.
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Note: at this point in the meeting Councillor Essex declared a personal interest as he was one of the Directors of Rossendale Transport.

- Discussion took place on the inclusion of Rossendale Transport in the Statement of Accounts.

Resolved:

That the content of the report be noted and:-

- The Amendments made during the Audit noted at Appendix 1 of the committee report are approved.
- That the Audited Statement of Accounts for 2010/11 at Appendix 2 of the committee report be approved.

The District Auditor noted that he would be leaving the Audit Commission and that this would be his last meeting. The Committee thanked him for his hard work and wished him well for the future.

The meeting commenced at 6.30pm and closed at 8.15pm

Signed
(Chair)

Date:.....