

**MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE**

**Date of Meeting: 12<sup>th</sup> March 2012**

**PRESENT: Councillor Aldred (Chair)  
Councillors Driver, Evans, Morris, Oakes and Robertson**

**IN ATTENDANCE: Mr P Seddon, Head of Finance and Property Services  
Mr A Fox, Principal Auditor, Lancashire Audit Service  
Ms K Murray, District Auditor, Audit Commission  
Mrs J Cook, Committee Officer**

**2 members of the public**

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**1. APOLOGIES FOR ABSENCE**

2.1 Apologies had been received from Councillor Neal, the Co-opted Member, Mr Mumtaz Ali and Mr Tony Hough (Audit Commission).

**2. MINUTES OF THE MEETING HELD ON 12<sup>TH</sup> DECEMBER 2011**

**Resolved:**

The minutes of the meeting held on 12th December 2011 were agreed as a correct record.

**3. URGENT ITEMS OF BUSINESS**

3.1 The Chair confirmed that there were no urgent items of business.

**4. DECLARATIONS OF INTEREST**

4.1 No declarations of interest were received.

**5. PUBLIC QUESTION TIME**

5.1 The Chair agreed to deviate from the procedure for public speaking and allow members of public present to ask questions as items on the agenda were presented.

Mr Entwistle sought clarification regarding a question and it was agreed that this item was on the agenda.

**6. CHAIR'S UPDATE**

6.1 The Chair noted that there was one outstanding action from the last meeting

which was a study of missed bin collections which occurred on a Friday. It was noted that this piece of work would be picked up in the new municipal year.

## **7. INTERNAL AUDIT PROGRESS REPORT**

- 7.1 The Principal Auditor introduced the report and noted that the audit was progressing very well, with 222.5 days had been spent in delivering the audit plan with 28.5 days spent finalising the audits which were ongoing at 31<sup>st</sup> March 2011. It was noted that 3 items of works were ongoing and the outcomes of these would be reported on at the next meeting.
- 7.2 An update was given on audit reviews finalised since the last progress report and it was report that full assurance had been given over the systems and processes in place relating to partnership arrangements in place with community groups. It was noted that the arrangements were in their infancy and limited audit testing had taken place with regard to partnerships such as the Rossendale Issue Groups (RIGs). A further update on this would be given at the next meeting when it was expected that the draft report relating to partnerships with health bodies would be finalised.
- 7.3 The Principal Auditor provided an update on the previous asset management review. It was noted that a new asset management system had been purchased and work was underway on this. It was noted that updating of the current asset profile was required, ensuring that the information was contained within one database, with action monitored on an ongoing basis and regular reports to Council committees. Benchmarking with other authorities should also be considered.
- 7.4 The Principal Auditor noted that paragraph 3.13 of the report contained an error in referring to the disposal of certain assets, whereas the report should have referred to leases and not disposal or sale. This had not been picked up during discussions at the draft report stage. Discussion took place on this matter and it was noted that it was not clear where the error had come from and Councillors concerns were noted.
- 7.5 The Head of Finance provided clarification regarding the asset management actions and noted that the Property Services and Facilities Management Team had been downsized and that it would take longer to achieve the recommended outcomes. Priority would be given to the budget savings that the Council was required to achieve over the next few years and operational efficiencies. However, work was ongoing on updating the asset management systems and processes.
- 7.6 Members commented on the report as follows:-
- Clarification was sought regarding the April 2012 review of Capita and NNDR and it was noted that this was an annual review which would follow up on

- actions identified from the previous year's review and document any new procedures before testing the controls in place.
- Concerns were expressed regarding lack of progress on the asset management recommendation and the Head of Finance noted that these would be achieved in the context of other priorities.
  - It was noted that the change in housing benefit process was more of a concern to the Council than asset management issues.

7.6 Members of the public commented as follows:-

- Mr Entwistle expressed concerns regarding the information released by the Council and the District Auditor noted that members of the public could find council spend online, use the Freedom of Information Act or contact the Audit Commission directly if they did not feel the council was being transparent.
- Mr Entwistle queried the content of the monthly corporate spend analysis and the Head of Finance and Property Services directed him to the annual budget and regular financial updates to the Cabinet.
- Mr Entwistle raised concerns that the amount of officer time spent meeting with Rossendale Leisure Trust was not being logged in financial terms. The Chair noted that officer time was not allocated in this manner. Mr Entwistle stated that he was not happy with the answer received.
- Mrs Freeman enquired whether the new asset management system was now fully populated and the Head of Finance confirmed that it was and was in use.

**Resolved:**

That the Internal Audit Progress Report for the period to 29<sup>th</sup> February 2012 is noted.

**8. AUDIT PLAN 2011/12**

- 8.1 The District Auditor introduced the report which set out the Audit Commission's plan of work for the 2011/12 audit. The audit would provide high-level scrutiny of the Council's account systems and provide a value for money conclusion. The District Auditor highlighted 3 additional accounting risks to the audit of the accounting systems that were considered significant, which were: heritage assets, valuation of property, plant and equipment and data relating to the pension fund IAS19.
- 8.2 The District Auditor clarified the reasons for the additional risks, and it was noted that with regard to heritage assets, the accounting rules had now changed and Audit Commission would ensure that the assets were logged correctly and an appropriate value of the assets had been obtained. It was noted that this would not include a valuation for sale purposes, but for accounting purposes. An audit of property, plant and equipment would check that the values of these were correct, and the impact of IAS19 and any changes would be audited, to ensure that any changes had been correctly accounted for with regard to pension liability.

- 8.3 The District Auditor clarified the value for money would that would be undertaken and noted that at this stage; no significant risks had been identified. The stages of reporting were outlined and it was noted that the report would culminate and be reported to the Committee in September 2012.
- 8.4 Members commented on the report as follows:-
- Concerns were expressed regarding the impact of pension liability (IAS19) on the authority and the District Auditor provided clarification on the processes followed by a pension actuary and the audit would ensure that values and information given regarding pension liability was accurate.
  - In response to questions raised, the District Auditor noted that the Valley Centre purchase was being reviewed and it was hoped that this would be reported before the next Committee. The District Auditor noted that she was independently appointed and therefore the correct person to undertake this matter.
- 8.5 Members of the public commented as follows:-
- Mr Entwistle expressed concerns that the values of properties given by the Council may not be accurate. The District Auditor clarified that valuations were carried out in accordance with guidance under the Code of Accounting Practice, and it was the Audit Commission's role to ensure that the Code had been complied with.
  - Mr Entwistle queried the pension liability of the Council and the District Auditor provided clarification on where the liability would transfer and where it would remain.

**Resolved:**

That the Audit Plan 2011/12 is noted.

**9. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT**

- 9.1 The District Auditor outlined the report and noted that it was an annual report which examined the claims that the Council received from central government and other grant-paying bodies. It was noted that claims and returns had been certified to the value of £36.5m, with highest level of claims being for housing benefits.
- 9.2 The District Auditor noted that testing of the 2010/11 housing and council tax subsidy had identified errors in 4 main areas, with additional testing undertaken. The District Auditor noted that she was satisfied that any issues identified were being addressed.

**Resolved:**

That the report is noted.

## **10. AUDIT COMMITTEE UPDATE MARCH 2012**

- 10.1 The District Auditor introduced the report which outlined the Audit Committee's progress in delivering its responsibilities as the Council's external auditors. The report provided an update on national issues and it was noted that with the externalisation of the audit process, Grant Thornton was expected to be appointed as the Council's external auditors.
- 10.2 Members commented on the report as follows:-
- It was queried whether the Council could do more to make the accounts shorter and more accessible, as noted on page 8 of the report. It was noted that it was important that guidance was followed that the accounts were transparent. The District Auditor suggested that councils could consider publishing statutory and summary accounts.
  - Discussion took place on future audit fees and the District Auditor noted that the impact on fees was unknown at present.
  - It was noted that the financial impact of redundancies would need to be borne in mind by the Council. It was noted that the Council could apply to central government for capitalisation direction, however this funding was limited.
- 10.3 Members of the public commented as follows:-
- Mr Entwistle enquired whether the government was transferring its liability to the private sector and the District Auditor clarified that responsibility for external audit of Councils was being transferred to the private sector.

### **Resolved:**

That the report is noted

**The meeting commenced at 6.30pm and finished at 7.45pm**

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**Signed (Chair)**

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**Date**