

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 30th June, 2015

**PRESENT: Councillor Knowles (Chair)
Councillors Essex, Evans, Howarth, Hughes, Knowles,
Oakes and M Smith**

**IN ATTENDANCE: Mr P Seddon, Head of Finance and Property Services
Mrs J Crawford, Finance Manager
Ms K Murray, Audit Director, Grant Thornton
Mr S Hardman, Audit Manager, Grant Thornton
Ms R Lowry, Head of Internal Audit, Lancashire County
Council
Mr M Ali, Co-opted Member
Miss M Hargreaves, Committee and Member Services Officer**

**ALSO PRESENT: 2 members of the public
Councillor Marriott**

1. CHAIR'S INTRODUCTION

1.1 The Chair welcomed everyone to the meeting.

2. APOLOGIES FOR ABSENCE

2.1 Apologies had been received from Councillor Steen (Councillor Haworth sub).

3. MINUTES OF THE MEETING HELD ON 17th MARCH, 2015

Resolved:

The minutes of the meeting held on 17th March, 2015 were agreed as a correct record.

The Chair made thanks to the outgoing Chair, Tom Aldred for his work on the Audit and Accounts Committee.

4. URGENT ITEMS OF BUSINESS

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

5. DECLARATIONS OF INTEREST

5.1 Councillors Oakes, Knowles and Essex declared an interest in that they were Directors of Rossendale Transport, appointed by Rossendale Borough Council.

6. PUBLIC QUESTION TIME

- 6.1 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. Members of the public were permitted to ask questions on items not on the agenda at this point in the meeting.
- 6.2 A member of public asked the following questions:
- If the asset management report had been completed. It was clarified that the report had been completed in draft.
 - As of 22nd June, the monthly corporate spend published on the website was only completed up to March, could the reason for this be explained. The Finance Manager noted that April and May were now published, and had been slightly delayed due to the end of year accounts.
 - It was noted there was a typing error on page 3.7 of agenda item D2 where it had referred to Rossendale Leisure Trust (RLT) instead of Rossendale Transport Limited (RTL). This was noted.

7. CHAIR'S UPDATE

- 7.1 There were no updates from the Chair.

8. ANNUAL INTERNAL AUDIT PROGRESS REPORT 2014/2015

- 8.1 The Head of Internal Audit (LCC) outlined the Internal Audit Report for 2014/15 which provided members with a summary of the works carried out and the assurances given.
- 8.2 It was noted that the work carried out during this period was in accordance with the agreed audit plan. It was noted that on the audit work undertaken during the year, substantial assurances had been made on the internal controls and governance arrangements in place during 2014/15.
- 8.3 In relation to the Homes and Communities Agency's Empty Homes Programme, it was too early at this point to fully assess the implications of the matters arising in relation to the Council's involvement.
- 8.4 With regard to the audit work undertaken on the core financial systems, it was found that there were generally sound systems of internal control in order to achieve the control objectives. There were no high risk actions identified.
- 8.5 The Head of Internal Audit informed the committee that there had also been some operational reviews, including payment of expenses and allowances to councillors and registration of members' interests, election process and procedures. There was some additional controls examined as part of the counter

fraud work and these were detailed within the report. It was confirmed in all cases, substantial assurance was provided over the adequacy and effectiveness of the controls in place.

8.6 In relation to counter fraud, as part of National Fraud Initiative, the 2014/15 data matches shared with Rossendale Borough Council had been investigated, details of the areas looked at were provided within the report.

8.7 The Committee asked questions and made comments on the report to the Head of Internal Audit, which included the following:

- In relation to the data matching, clarification was sought as the numbers did not seem to add up for the investigation
- Suggestion that the Risk Register be part of the Terms of Reference of the Audit and Accounts Committee.

The Head of Internal Audit responded to questions raised.

Resolved:

1. That the internal audit progress report 2014/2015 be noted.
2. That the Audit and Accounts Committee recommend to Governance Working Group and Council that the Risk Register be added to the Terms of Reference.

9. ANNUAL INTERNAL AUDIT PLAN 2015/16

9.1 The Head of Internal Audit outlined the report to the committee, which informed the amount of resource available to the Council for 2015/16 which was 250 audit days.

9.2 The plan aimed to provide assurance over a selection of controls which were highlighted within the report and these controls formed the basis of the audit plan.

9.3 Within the report there was also some back up work and contingency time allocated.

9.4 The Committee asked questions and made comments on the report to the Head of Internal Audit and The Head of Finance, which included the following:

- 25 more days allocated this year compared to last year
- The mechanism that feeds into what areas are audited
- 5 days out of the 250 allocated for risk management, how often this was reviewed during the year
- Audit and Accounts Committee need to know the items on the risk register and understand how risks are gathered/collated
- Amount of assurance that external audit put on the work of internal audit and how this informs the external audit testing regime.

The Head of Internal Audit and The Finance Manager responded to questions raised.

Resolved:

1. That the internal audit annual plan for the period of 1st April, 2015 to 31st March 2016 be approved.

10. THE EXTERNAL AUDIT PROGRESS REPORT

- 10.1 The External Audit Manager outlined the report which sets out the progress against the plan for the 2014/15 audit.
- 10.2 It was noted that the audit was currently on target, the final accounts and audit progress was as expected along with the value for money conclusion. With regard to other areas of work, the Homes and Communities Agency Compliance Audits were virtually finalised.
- 10.3 With regard to the earlier closure of accounts, everything had been finalised for 2017/18. Following the changes of legislation, the timeframe for the preparation of the financial statements would be reduced by one month and subsequently the audit completion would be reduced by two months.
- 10.4 It was noted that the governance review focussed on three key areas, these being, governance of the organisation, governance in working with others and governance of stake holder relations.
- 10.5 The External Auditor informed the committee that a recent discussion had taken place between 34 local authority senior finance officers looking at how to create a sustainable financial future, the report reflected these views. It was noted the reports were available on the Grant Thornton website along with guidance for members for 'understanding your accounts'.
- 10.6 The Committee asked questions and made comments on the report to the External Audit Manager and The Head of Finance, which included the following:
 - Interim report from the prior year, issues relating to PPE, had this been missed off the report
 - Challenges in relation to business rate appeals

Resolved:

1. That the External Audit Plan for 2014/15 be noted.
2. That hard copies of the guidance for 'understanding your accounts' be circulated to committee members.

11. THE EXTERNAL AUDIT 2015/16 FEE LETTER

- 11.1 The External Audit Director informed the committee that the 2015/16 fee letter set out the planned audit fee for 2015/16 along with the overall timing of work required to complete the audit.
- 11.2 It was also noted that the fee was set by the Audit Commission.
- 11.3 The Co-opted Member made a comment that when the Audit Commission audited the authority, the fee was much higher. As the fee was now lower, did that indicate there was less work being conducted.

The External Audit Manager responded to this question raised.

Resolved:

That the Audit Fee Letter for the 2015/16 financial year be noted.

12. ANNUAL GOVERNANCE STATEMENT AND STATEMENT OF ACCOUNTS 2014/15

- 12.1 The Finance Manager introduced the report and provided members with a summary of the draft Statement of Accounts 2015/16. It was noted that the accounts had been passed to external audit and placed on deposit for public scrutiny, prior to final approval in September 2015.
- 12.2 It was noted that the auditors had picked up a few amendments, in particular, on page 35 of the report, Markets had generated income of £126k, making a net cost of £10k for the year and bringing the net cost of Trading Operations to £36k.
- 12.3 In February 2014 the members approved a net services budget of £8.7million for 2014/15 along with contributions of £130k towards capital projects and £130k into earmarked reserve, it was noted that the actual spend for this period was £6.8million, creating a saving of £1.9million.
- 12.4 The Finance Manager informed the committee that the council had made strong progress in identifying further savings required to meet the demands of the MTFs, implementing these early had contributed to the variance of the £1.9million, these savings were summarised on page 8.
- 12.5 Rossendale Transport Limited were currently going through their audit. It was pointed out that the transport tables on page 49 had not been updated. The Finance Manager apologised and assured the members that the draft accounts were showing a profit for 2014/15.
- 12.6 The Committee asked questions and made comments on the report to the

Finance Manager and The Head of Finance, which included the following:

- Typing error on page 25 of the report referring to note 17c
- Clarification on the reference of 'exit packages' and if this could be changed to 'staff redundancies'
- Positive news in relation to Rossendale Transport Limited that were now making profit
- Congratulations to be passed to the team that had been working on debt chasing
- Members asked for a breakdown in the net surplus on the Council Tax element of the Collection Fund
- With reference to organisational development on page 7 of the report, only £58k was used of a budget of £109k

A member of public asked if the statement of accounts balanced as he was concerned that the Valley Centre and Rawtenstall Market did not appear busy at certain times of the day.

It was clarified savings were being made as outlined on page 7 of the report.

- 12.7 The Head of Finance informed the committee of the purpose of the Annual Governance Statement, which was to inform members of the scope of responsibility in relation to governance. The areas already addressed and those to be specifically addressed with new actions were outlined within the report.
- 12.8 It was noted that there would be more clarity on the Empty Homes Project provided to members at a later date as the project finalises.

Resolved:

That the members note the content of the report and:

- 1.1 Approve the Annual Governance Statement at Appendix 1 – pages 11-15
- 1.2 Approve the draft Statement of Accounts 2014/15 at Appendix 1 for submission to external audit and public inspection.

13. STANDARDS COMPLAINTS UPDATE

- 13.1 The Chair informed the committee that there had been no standards complaints

Resolved:

That the update was noted.

The meeting commenced at 6.30pm and finished at 8.00pm

Signed (Chair)

Date