



AUDIT COMMITTEE

4:30pm – 6:40pm

22 June 2010

Present: Councillors Little (S) (Chair), Driver (Vice Chair), Bremner, Jeraj, Little (A) (substitute for Councillor George), Makoff and Waters

Also Present: Tony Poynton of the Audit Commission

Apologies:

1. MINUTES

RESOLVED to agree the accuracy of the minutes of the meeting held on 8 June 2010.

Annual Audit Fee Letter

Councillor Makoff said that, although she had been given information on the Audit Commission fees via their website, it was still unclear how the fees for the City Council's audit were calculated.

RESOLVED to ask Tony Poynton to provide further details on the method of calculation of audit fees.

Draft Annual Governance Statement 2009/10

Councillor Makoff said that she had not received a reply to her questions concerning the Members Development Charter discussed at the previous meeting.

RESOLVED to ask the Head of Finance to liaise with the Head of Legal and Democratic Services in order to reply to Councillor Makoff's questions regarding the Members Development Charter.

Annual Certification of Claims 2008/09

Councillor Makoff said that she had not received a written reply on the issues raised at the previous meeting concerning the New Deal for Communities claim. The Chief Accountant explained that the issues raised were concerning the 2003/04 claim which had been audited in 2007/08 and monitoring had been put in place since this time.

RESOLVED to ask the Head of Finance to provide a written reply to Councillor Makoff on the issues raised concerning the New Deal for Communities claim.

2. ANNUAL GOVERNANCE STATEMENT 2009/10

The Head of Finance presented the report and circulated copies of the revised Annual Governance Statement for 2009/10 and a paper outlining the City Council's response to the CIPFA recommendations on the role of the Chief Finance Officer in Local Government. In response to questions, the Head of Finance said that the Council's management structure would be reviewed as part of the Transformation programme but existing arrangements enabled him to provide input into all reports and recommendations brought before Members which had financial implications. The Deputy Chief Executive said that the Head of Finance has been able to attend meetings of the Corporate Management Team when issues with financial implications were being considered.

Discussion then ensued during which Members expressed the view that the Chief Financial Officer should be involved in all major decisions made by the Council and it was unclear, from the existing arrangements, how Members would be advised of all the recommendations he wanted to make. The Head of Finance explained that the Executive would be involved in all decisions regarding strategic financial matters. The Head of Finance's comments on financial implications were included in reports to Committees and he would be engaged in any issue where Officers would be recommending decisions which required financial input. Any advice required as part of the Head of Finance's role as the Section 151 Officer would need to be considered by Members and formally recorded.

During further discussion, the Chair expressed concern that the Council could be required to give reasons on a regular basis why it had not complied with CIPFA recommendations that the Chief Finance Officer should be part of the Council's Management Team. The Deputy Chief Executive said that the current structure of the Corporate Management Team works successfully and increasing its membership would change the Team's dynamics. Overall changes to the Council's management structure would be considered as part of the Transformation process and any changes to the membership of the Corporate Management Team would need to be decided by the Executive. Councillor Waters, Executive Member for Corporate Resources and Governance, explained that, in the current management arrangements, the Deputy Chief Executive had overall responsibility for Corporate Resources Directorate and provided a strategic overview drawing on the expert input from professional officers. He said that financial advice was requested and available

on all issues affecting the Council when required. Some Members were of the view that the Executive should be recommended that the Chief Finance Officer should be included as a member of the Corporate Management Team. Councillor Waters said that management arrangements with other Councils were the responsibility of the Chief Executive Officer, as Head of Paid Service, and it would be more appropriate for any request to be submitted to her in the first instance.

The Chair then referred to the systems of internal control referred to in the Annual Governance Statement. The Head of Finance said that Managers were responsible for internal controls within their own areas but they were also required to ensure compliance with policies, procedures, laws and regulations. Compliance statements made by Managers were checked as part of the Internal Audit Process. The Head of Finance also explained that he and the Monitoring Officer were ultimate arbiters of Governance on internal controls within the Council.

Councillor Makoff said that she continued to have concerns about progress made on the Members Development Charter and asked for more information to be provided on this issue.

(Councillor A Little left the meeting at this point)

The Chair then referred to the Action Plan and commented particularly on the Audit Commission's recommendations that invoice request forms were sequentially numbered. The Head of Finance explained that invoice request forms were issued using a manual system and the introduction of sequential numbering would require investment in a computer based system.

The Chair then referred to the need for members' training on related party transactions. The Head of Finance said that short training sessions could be organised as part of these recommendations.

Further discussions ensued on the Action Plan, and in response to questions, the Head of Finance said that improvements to the accuracy of cash flow statements had been improved through increased skills and training and that it would be possible for Members to review the effectiveness of the Audit Committee function through self-assessment questionnaires provided by the Audit Commission.

Councillor Makoff then referred to the qualifications requirements for the post of Head of Internal Audit. The Head of Finance explained that a professionally qualified accountant would normally be appointed to this role but the Council's Head of Internal Audit had a wide range of experience and was a member of the IIA. The role of the Audit team was being reviewed and regular training was provided in order to ensure they adhered to current standards and practice. The Deputy Chief Executive explained that the team had already been well established before the current CIPFA standards were issued and it was not practicable to address the qualification requirements within the current team. It would be possible to review the personnel specification for these posts within the longer term. The Head of Finance also explained that the Council used external professional support as part of its Internal Audit function which would partially address CIPFA's standards concerning qualified staff.

The Chair then referred to the recommendations on relationships included within the Action Plan. The Head of Finance explained that improvements were being made to ensure effective relationships between the Head of Internal Audit and management.

RESOLVED :

- (1) to note the report;
- (2) to approve the Annual Governance Statement for 2009/10 and the plans to address significant issues referred to within it;
- (3) with five voting in favour, one against and one abstention, to recommend to the Executive that the Chief Financial Officer is a member of the Leadership Team with a status at least equivalent to other members, as recommended by CIPFA; and
- (4) to ask the Head of Finance to:
 - (i) review the wording on internal controls and certification of claims and returns;
 - (ii) liaise with the Head of Legal and Democratic Services to provide an update to Members on progress with the Members Development Charter;
 - (iii) organise a short Members' training session on related party transactions; and
 - (iv) organise a review of the effectiveness of the Audit Committee using the self-assessment questionnaires provided by the Audit Commission.

3. ANNUAL STATEMENT OF ACCOUNTS 2009/10

The Head of Finance presented his report and circulated an amended version of the Annual Statement of Accounts. He explained that following advice from consultants further work on the accounts was required on the PFI model for the Steria contract. Technical problems had also occurred during the compilation of the statement. He recommended that the Committee hold an additional meeting to give final approval to the accounts following further amendments.

Members then considered the individual sections of the Statement of Accounts. In response to a question concerning the Income and Expenditure Account, the Head of Finance explained that there had been a large impairment due to a fall in the property market which had affected the accounts in 2008/09. There had been a small rise in the property market in 2009/10 which had resulted in a reversal of the impairment which was credited back to the Income and Expenditure Account.

The Head of Finance then answered a number of questions concerning the repayment of loans and long term investments. He said that it was not appropriate

for the Council to lock into long term investments in view of the current level of interest rates.

Councillor Bremner expressed concern about the increase of liability on pensions. The Head of Finance explained the reasons for changes to pensions' liability because of the current economic conditions affecting the Pension Fund and referred, in particular to the actuarial calculations which were based on longevity. The Deputy Chief Executive confirmed that the pension liability for the former City Works staff, now employed by Connaught, had been distributed over a 25 year period.

Members queried other figures and presentation of figures in the statement of accounts, which the Head of Finance said would be resolved in a revised statement.

In response to a question from Councillor Makoff concerning emoluments, the Head of Finance explained the reason for the change in the salary of the post.

(Councillor Waters left the meeting at this point)

The Chair expressed concern that there continued to be resource issues affecting the completion of the Statement of Accounts. The Head of Finance explained that there had been some technical problems which had affected completion of the Statement of Accounts within the timescales required by the Audit Commission.

RESOLVED to defer consideration of the Annual Statement of Accounts 2009/10 until an additional meeting of the Committee to be held before 30 June 2010.

CHAIR