



MINUTES

AUDIT COMMITTEE

4.00 p.m. – 5.35 p.m.

29 June 2010

Present: Councillors Little (S) (Chair), Bremner, Divers, Jeraj and Makoff

Apologies: Councillor Waters

1. ANNUAL STATEMENT OF ACCOUNTS 2009/10

The Chair referred to the discussion at the previous meeting when consideration of the Annual Statement of Accounts was deferred pending further work on the calculation for the PFI contract for ICT services and other technical issues. The Head of Finance circulated a revised version of the Annual Statement of Accounts including the cash flow statement and details of recognised gains and losses. He explained the reasons for the delay in providing a final version of the Statement of Accounts for approval. The PFI calculations had been extremely complex and, although they did not alter the bottom line figures, the exercise was required to meet IFRS standards. The Chair expressed concern that the model for calculating the PFI elements of the accounts had arrived late in the close down process. The Head of Finance explained that the City Council had the only PFI ICT contract in local government and a considerable amount of preparation and testing had been required before it could be issued to the Council by its consultants, Grant Thornton.

Members then considered the various sections of the revised statement of accounts. The Chair pointed out that the figures in the explanatory foreword did not correspond with those in the income and expenditure accounts. The Head of Finance explained that this part of the document would be re-issued along with additional notes which required amendment. Councillor Makoff expressed concern about the presentation of the explanatory foreword and suggested that this could be amended in future years to be more clearly understood. The Head of Finance said that he intended to prepare a simplified version of the explanatory foreword in future years, which could be put on the Council's website, and that segmental reporting, which would enable the structure of the Statement of Accounts to be aligned with the Council's overall management structure, would be introduced as part of implementation of IFRS (international Financial Reporting Standards) in next year's accounts. There had been problems with relating the structure of the existing Statement of Accounts with the Council's management structure.

Members then referred to a number of amendments which would be required before the accounts were submitted to the Audit Commission. Corrections were required to the numbering of notes within the income and expenditure account and also to ensure that it corresponded with the statement of recognised gains and losses. Corrections were also required to the balance sheet figures for 08/09. In response to questions, the Head of Finance pointed out a number of changes to the elements of the accounts due to the PFI adjustments and stated that the unitary charge on the PFI was now referred to as 'interest' within the cash flow statement. The Head of Finance also explained that the details in respect of interest in the Legislator and CNC companies were yet to be provided by the relevant parties and would be incorporated in the final version of the accounts if available.

The Head of Finance then answered a number of questions on the notes to the accounts. He explained that the overpayment of members' allowances had been recovered but he was not able to comment on the reasons for the decrease in the Chief Executive Officer's salary or other changes to the salaries of the Corporate Management Team. He also stated that the Council had reduced the number of suspense and holding accounts to an acceptable level. Tony Poynton (Audit Commission) suggested that these sums should be incorporated into the 'sundry' section of the accounts.

The Head of Finance then explained that a large number of the Council's old debts would be reviewed following the completion of the accounts as many were now statute barred. In response to questions concerning the Collection Fund Revenue Account, the Head of Finance said that the Council's collection rate had improved within this accounting period.

RESOLVED to –

- (1) approve the Statement of Accounts for the year ending 31 March 2010 subject to it being noted that
 - (a) members of the Audit Committee did not have the opportunity to view the final version of the draft Statement of Accounts in advance of the meeting and therefore consider that they were not in a position to afford a completely adequate level of scrutiny;
 - (b) a number of alterations reported by the Head of Finance and identified by this Committee were required to be corrected within 14 days;
 - (c) details of the Council's interest in companies were to be provided by Legislator and CNC before completion of the final draft Statement of Accounts;

- (2) inform the Executive of the Audit Committee's concern about the resource issues affecting the timely preparation of the Statement of Accounts and the need to review the Council's accounting code structure and the local financial accounting system in order to ensure that the Statement of Accounts in future years was prepared and scrutinised within the required timescales.

CHAIR