



AUDIT COMMITTEE

4.30pm- 7.10pm

25 June 2009

Present: Councillors S Little (chair), Driver (vice chair), Divers, George, Makoff and Stephenson

Apologies: Councillors Bremner and Waters

1. ANNUAL REPORT ON INTERNAL AUDIT 2008/09

The audit manager presented the report and answered questions about the audit work undertaken in 2008/09.

He referred to the different levels of assurance adopted within this council. He had not yet carried out any audits when no assurance had been obtained. He said that all audit areas were revisited after approximately six months to review the implementation of the agreed management actions. The issues would be escalated to this committee if necessary.

He explained the reasons for the failure to meet targets in terms of the percentage of audits completed and the time taken to produce draft reports. He had said however that some of the systems audit work had been outsourced.

A member expressed concern about the absence of action dates in the list of significant findings and recommendations. In cases where recommendations were still subject to agreement with management it will be useful to include the date by which such an agreement had to be reached. The head of finance said that updated information would be prepared for the next meeting. This could also highlight the level of assurance obtained from the audit work and the significance of any recommendations.

In reply to a question the corporate finance manager explained the work being done to reengineer the debt collection process. This would include some minor changes to the policy for writing off debts.

The audit manager updated the committee on the progress made with regard to NELM over the last 12 months. He anticipated that all reports would be completed by August. There was however still a risk that the council would be required to repay monies.

RESOLVED to –

- (1) note the report; and
- (2) ask the audit manager to present an updated report to the next meeting including dates by which agreements or recommendations had to be reached and highlighting levels of assurance obtained from the audits and the significance of any recommendations.

2. ANNUAL AUDIT FEE LETTER

The district auditor referred to his annual fee letter for 2009/10. The fee was indicative at this stage and he would come back in December with any updated figure.

In reply to a question he said that the audit deadline was the end of September. He would look to report his findings to the audit committee on 24 September. He would however seek an interim meeting if significant problems arose.

RESOLVED to note the report.

3. FRAUD AND CORRUPTION ARRANGEMENTS

The district auditor presented his report and explained that this paper had been prepared in response to a development within International Audit Regulations.

Discussion took place on how to respond to the questions posed in the paper. The deputy chief executive officer pointed out that relevant policies and procedures were in place and referred to discussion at the last meeting on how staff were made aware of these policies. The head of finance pointed out that managers should pick up irregularities as part of the budget monitoring process.

RESOLVED to –

- (1) ask the chair, in liaison with the head of finance, to prepare a draft response to the questions about fraud and corruption arrangements as set out in the report for consideration at the next meeting; and
- (2) ask the head of finance to arrange a training session for committee members on fraud issues, if possible immediately before the September meeting.

4. ANNUAL GOVERNANCE STATEMENT 2009/10

The audit manager circulated a revised copy of the annual governance statement highlighting the amendments agreed at the meeting on 22 July.

RESOLVED to approve the revised copy of the annual governance statement.

5. ANNUAL STATEMENT OF ACCOUNTS 2008/09

The head of finance tabled an updated version of the annual statement of accounts which included the cash flow statement together with a sheet listing the major adjustments. The most significant of these related to the impairment journal although there was no impact on the general fund.

The head of finance answered a number of detailed questions about the cash flow statement. He said that some long term borrowing would now have to be repaid earlier. It would also be necessary to pay back some NNDR monies. The drop in capital receipts was a reflection of monies going out of the council which had not been replenished through capital funds. He said that the reduction in council tax income related to the amount collected rather than the amount precepted. The council collected over 99% of its council tax debts in the longer term.

The head of finance said that the considerable loss on the income and expenditure statement was reflected in a reduction in the value of the council and was mainly a result of the property crash. This did not however impact on the council tax. Borrowing by the council was very low in relation to its asset base.

The finance control manager answered questions about the housing revenue account. He said that the impairment was a result of the loss of value of properties. He referred to changes in the accounting practices for this account. The deficit on the account related to the cost of repairs and the lack of capital receipts. He would be looking to amend the housing capital plan to reflect the downturn in housing capital receipts.

A member said that it would have been useful to see a version of the account with the impairment taken out. The head of finance undertook to add an additional line to the account to show the net cost of services after impairment. He explained how impairments were calculated.

The head of finance referred to two future changes to the income and expenditure account not included on the list circulated at the meeting. The figure showing profit on disposal of fixed assets should be £1,984 and the surplus on trading undertakings not included in net cost of services should be 28. In relation to note 3 he explained that the increase in income from the markets related to the treatment of the accounts. In relation to note 45 he said that the pension fund information was based on figures supplied by an actuary. The £36 million loss on the pension fund assets and liabilities was a reflection of the pension fund deficit.

With regard to note 18c the head of finance said that he would check the reason for the decrease in the number of hectares of parks and open spaces. In relation to note 6 he said that he would remove the brackets from the total expenditure on building control. He would also check the details of the increase in advertising relating to note 5.

In terms of note 26 the corporate finance manager said that the increase in accruals was due to the later close of the accounts. The level would be reduced next year. The head of finance said that the contingent liabilities referred to in note 41 related to an ongoing claim in relation to CityCare.

The finance control manager explained the reference to the utilisation of the maximum amount in relation to the major repairs reserve. He would amend the text to ensure that the position was made clear. A member queried whether more should be spent in collecting debts rather than write offs. The financial control manager said that write offs were made in accordance with council policies. A review was to be undertaken of all of the council's debts.

In reply to a question the head of finance said that he was generally satisfied that the issues raised by the audit commission in last year's audit had been addressed. Although he had not undertaken a technical report before presenting the accounts for audit technical advice had been obtained from the PWB. He said that suspense accounts had been reviewed and there was justification for those remaining.

The district auditor said that it would be useful if next year's accounts included an explanation on variances from the previous year. The head of finance confirmed that this would be provided.

RESOLVED to –

- (1) approve the annual statement of accounts for 2008/09 subject to the amendments discussed above; and
- (2) ask the head of finance to notify the committee chair of any further arithmetical and typographical errors that may be identified and circulate copies of the final accounts to all members of the committee before 30 July.

CHAIR