



**AUDIT COMMITTEE**

**4pm – 5.10pm**

**14 December 2011**

Present: Councillors Little (chair), Kendrick (vice chair), Driver, Jeraj, Sands (S), Makoff, Waters and Wright

**1. MINUTES**

**RESOLVED** to agree the accuracy of the minutes of the meeting held on 29 November 2011.

**2. STATEMENT OF ACCOUNTS 2010-11 – UPDATE**

(Copies of the draft statement of accounts for the year ending 31 March 2011 were circulated at the meeting.)

The chair introduced the report and said that there would be an opportunity for discussion at the next meeting of the committee once members had had time to consider the statement of accounts. The deputy chief executive said that members were welcome to contact officers direct if they had any questions.

In response to a question as to whether the statement of accounts could be signed off at the next meeting, the chief accountant said that all the material adjustments agreed with the Audit Commission had been included in these accounts, apart from those relating to the Collection Fund entries. The Audit Commission would need time to work through the adjustments before the audit could be completed. It was expected that the final statement of accounts would be available at the next meeting, together with a schedule of changes/adjustments made.

During discussion the chief accountant answered members' questions in relation to the level of investments that the council had achieved in 2010-11 and referred members to pages 44 to 46 of the accounts. A detailed written explanation would be provided to members after the meeting. Members were also advised that the council had reviewed the arrangements for the useful economic life of the assets contained in the PFI and were assured that the subsequent extra depreciation charge during 2010-11 of £8.2m was a "holding adjustment" and would have no impact on the General Fund.

**RESOLVED** to note the progress of the statement of accounts 2010-11.

### **3. ANNUAL GOVERNANCE REPORT 2010-11 - DRAFT**

(Robert Murray, district auditor (Audit Commission) and Tony Poynton, principal auditor (Audit Commission) attended the meeting for this item.)

(A revised version of the draft annual governance report was circulated at the meeting.)

The district auditor presented the report and explained that the amendments to the revised version of the draft annual governance report were shown as bold text. The district auditor was not in a position to issue an opinion on the statement of accounts 2010-11 as the audit was incomplete but that he expected to be in a position to issue an unqualified audit opinion in due course.

During discussion the district auditor, together with his colleague the principal auditor, the deputy chief executive and the chief accountant answered members' questions. Members were advised that the council was in negotiations with the administrators for Connaught, Morgan Sindall. The Audit Commission required further details on this but was of the view that there would not be a material under-provision or under-accrual. In response to a question from Councillor Makoff, the officers explained that the provision of £323,000 was the risk to the council at 31 March 2011 from the amount that the Department of Communities and Local Government (DCLG) could claw back in relation to the New Deal grant claim and grants that the council expected to receive. The council had held on to capital receipts to minimise the council's financial exposure.

Councillor Wright expressed concern that finance officers were unaware of the details of the financial arrangements arising from the disposal of the Livestock Market. The chief accountant said that finance officers would prevent this situation occurring in future by discussing the disposal of assets with asset management before a sale took place. The deputy chief executive said that the council's annual governance statement sought to embed practices and address wider organisational issues to make the close down of the accounts and the auditor's annual governance report easier. The chair expressed concern that there were still errors in the accounts and proposed that the committee monitored progress on the action plan at each meeting of the committee. The district auditor concurred that this was in line with his recommendations but that the committee could determine how often it reviewed the action plan to ensure that the appropriate improvements were made.

The committee then discussed the impact of the preparation of the financial statements under the International Financial Reporting Standards (IFRS). The district auditor said that the main strands of the IFRS that had affected preparation of the accounts were fixed assets and leases and that it was more complicated to make adjustments in the accounts, therefore increasing the potential for error. The chief accountant said that under IFRS, all the grants had to be reanalysed for a two year period, affecting both revenue and capital accounts. Guidance on this had been open to interpretation. Councillor Waters pointed out that this had caused additional pressure on resources in financial services.

Councillor Jeraj asked whether the delay in completing the statement of accounts for 2010-11 would impact on both the setting of the council's budget for 2011-12 and completion of the accounts. The deputy chief executive said that the council had taken on board the recommendations arising from the Audit Commission's annual

governance report and would make arrangements and provide resources to ensure that the accounts were closed within the statutory timescale next year. The budget setting process for 2011-12 was already well advanced.

In response to a question, the district auditor said that he was unable to confirm the form of his value for money conclusion in respect of the council's arrangements to secure financial resilience, until he had considered the financial adjustments to the council's reserves. He had prepared the draft report on the basis that this would be unqualified but that he would have to qualify if a risk was identified.

The district auditor pointed out that it was unlikely that the audit of the statement of accounts 2010-11 would be completed in time of the next meeting of the committee and therefore he would not be able finalise the annual governance report and letter of representation.

**RESOLVED** to:

- (1) approve the statement of accounts for 2010-11 and ask the chair to sign off the accounts on behalf of the council;
- (2) thank the district auditor for his report and note that he anticipates that his conclusion once the audit has been completed will be an unqualified audit.;
- (3) ask the committee officer to ensure that progress against the action plan is a standing item for this committee.

CHAIR