



Minutes of the meeting of the AUDIT COMMITTEE held on THURSDAY 22 JUNE 2006 at 7.30 PM

**Present:** Councillor Dransfield (Chair)  
Councillors Burke, Crooks, Tamagnini-Barbosa, Tunney and Wilson.

**Officers:** I Procter (Head of Finance), D Wilkinson (Head of Audit and Risk Management), J Moffoot (Head of Democratic Services), C Davies (Finance and Business Manager ), G Chambers (Revenue Finance Manager), B Dixon (Capital Finance Manager), P benn (Risk Management Officer) and L Sung (Senior Committee Manager).

**Apology:** Councillor Coventry

**AC01 CHAIR'S ANNOUNCEMENTS**

The Chair welcomed Members of the Committee to its first meeting.

**AC02 DECLARATIONS OF INTEREST**

- (a) Councillor Wilson declared a personal interest in Item 7 (Statement of Accounts 2005/2006) as a trustee of Woughton Leisure Centre, a member of Woughton Parish Council and an employee of the Local Government Association and the Improvement and Development Agency.
- (b) Councillor Crooks declared a personal interest in Item 7 (Statement of Accounts 2005/2006) as a member of the General Teaching Council, a member of the Thames Valley Police Authority, a trustee of Monkston Pavilion and Community Centre, a school governor at Middleton Primary School, Broughton Fields Primary School, St Bernadette's Catholic Primary School and Falconhurst School, a trustee of the Buckinghamshire Historic Buildings Trust, a trustee of Bletchley Park Trust, a director of the Central Milton Keynes Company, a member of Milton Keynes Connexions Local Management Committee and a member of the Thames Valley Police Authority.

- (c) Councillor Tunney declared a personal interest in Agenda Item 7 (Statement of Accounts 2005/2006) as a trustee of Bradville Hall Community Centre.
- (d) Councillor Burke declared a personal interest in Item 7 (Statement of Accounts 2005/2006) as a secondary school teacher at a school in Aylesbury, a member of West Bletchley Parish Council, a member of the General Teaching Council, a member of the National Association of Schoolmasters and Union of Women Teachers (NASUWT).  
  
Councillor Burke also declared a further interest in Agenda Item 5 (Internal Audit Report) as he was a school governor at Shenley Brook End School.
- (e) Councillor Tamagnini-Barbosa declared a personal interest in Item 7 (Statement of Accounts 2005/2006) as a trustee of the Ark Charity.

### **AC03**

#### **AUDIT COMMITTEE WORK PROGRAMME AND TERMS OF REFERENCE**

The Head of Audit and Risk Management reported on the revised Terms of Reference and the proposed Audit Committee work programme for 2006/2007.

The Head of Audit and Risk Management advised the Committee that external training would be arranged for Members of the Committee to ensure that the Committee was satisfied that it had the technical capability to discharge the Audit Committee responsibilities of the Council.

Members noted the specialist knowledge required in order to carry out the functions of the Committee and suggested that the Council co-opt members who hold specialist knowledge to the Audit Committee on an ad hoc basis.

The Committee acknowledged the need to engage closely with the relevant Cabinet Member with responsibility for Finance. However, it was proposed:

“That the Council be recommended to amend the Terms of Reference of the Audit Committee so that a member of the Cabinet may not be appointed as a member of the Audit Committee.”

On being put to the vote, the proposal was lost with 2 Members voting for, 3 Members voting against and 1 member abstaining from voting.

**RESOLVED –**

1. That the proposed process for the routine work programme of the Committee be agreed.

2. That the Council be recommended to:
  - (a) Agree that the Committee may co-opt non-voting members that hold specialist knowledge and to commission expert support to assist the Committee to achieve its technical capability in particular subject areas to discharge its audit responsibilities.
  - (b) Adopt the following addition to the Committee's Terms of Reference:

“Constitution

    - (i) The Committee will be a fully constituted committee and act independently of the authority's executive and scrutiny functions.
    - (ii) It will meet at least 4 times per year.
    - (iii) The Committee will maintain the technical capability to discharge the Audit Committee responsibilities of the Council.
    - (iv) The Committee will have a policy on matters that will be considered in public and those considered in private.
    - (v) The business of the Committee will be conducted apolitically”.
  - (c) Appoint the Chair of the Standards Committee as one of the two independent voting co-optees of the Audit Committee.

**AC04 INTERNAL AUDIT REPORT 2005/2006**

The Committee received the Internal Audit Annual Report for 2005/2006. The report indicated that 78% of the original plan was completed and that the shortfall was the result of by higher priority unplanned work.

The Report sets out the key issues which include:

- (a) Three audits of controls applicable to PPP (Private/Public Partnerships)
- (b) Salaries and Wages
- (c) Learning Disability
- (d) Common themes arising from schools audits.

The Report also summarises the unplanned work completed during 2005/2006.

The Committee made reference to the number of recommendations that had been implemented within 6 months of the final reports, as set out in the Audit Service Performance

Indicators. The Committee acknowledged that the actual recommendations implemented in 2005/2006 had increased from the 2004/2005 actual (87% and 79% respectively).

RESOLVED –

1. That the Internal Audit Annual Report 2005/2006 be noted.
2. That the Committee will consider interviewing any manager who had not implemented agreed internal audit recommendations within 6 months of the final report.

**AC05 ANNUAL RISK MANAGEMENT REPORT 2005/2006**

The Committee received the Annual Risk Management Report for 2005/2006 which summarised the key processes employed to assess risk management.

RESOLVED –

That the report be noted.

**AC06 STATEMENT OF ACCOUNTS 2005/2006**

The Committee was advised that the Accounts and Audit Regulations 2003 required the Council formally to approve the Statement of Accounts by 30 June as part of the ongoing process to bring forward the date of approval of the annual Statement of Accounts. It was now clear that it would be acceptable for the Statement to be submitted to the Council Meeting on 11 July 2006.

The Revenue Finance Manager referred to the Consolidated Revenue Account which set out the income and expenditure of the Council. He advised that the balance on the General Fund as at 31 March 2006 was £13,656,000.

The Revenue Finance Manger reported that the Housing Revenue Account balance as at 31 March 2006 was £5,375,000 and that the Collection Fund balance as at 31 March 2006 was £866,000.

The Committee was advised that the Statement of Internal Control (SIC) was designed to manage risks to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives.

The Head of Finance informed the Committee that 2 objections had been received in respect of the 2004/2005 Accounts and it was hoped that these objections would be considered and clarified by the time the Accounts for 2005/2006 were submitted for final approval in September.

The Committee gave consideration to the Statement of Accounts and raised the following concerns:

- (a) There was a significant increase in earmarked reserves from £19,803,000 as at 31 March 2005 to £21,292,000 as

at 31 March 2006. Consideration could be given to reducing the large number of items with an earmarked reserve and the reserve put back into the General Fund.

- (b) Parish Councils, not being major precepting authorities, would not receive any monies if the Collection Fund made a surplus.
- (c) With reference to the fixed assets owned by the Council, allotments had not yet been transferred to the Parish Councils.
- (d) There was an increase in the rate of Council Tax arrears at a time when the Council's collection rate was increasing.
- (e) With regard to pension reserve and liability related to defined benefit pension scheme, assets and liabilities were increasing in tandem.
- (f) The impact of a possible adverse or partly-adverse decision of the Auditor on the Council's reserves in respect of the outstanding objections to the 2004/2005 Statement of Accounts.
- (g) The introduction of a new financial accounting system (SAP) and its impact on the production of the Accounts.

The Chair thanked the officers for the work they had undertaken to produce the Statement of Accounts much quicker than in previous years.

RESOLVED –

1. That the revised General Fund Balance be noted.
2. That the Council be recommended to adopt the Statement of Internal Control.
3. That any minor changes to the Statement of Accounts that are made prior to the Council Meeting be circulated to the members of the Committee for their information.
4. That the concerns raised by the Committee be drawn to the attention of the Council.
5. That the Council be recommended to adopt the 2005/2006 Statement of Accounts.
6. That the Committee receive a report on the rate of Council Tax collection over the last 4 to 5 years including details of Council Tax write-offs and Housing Rent Arrears.

THE CHAIR CLOSED THE MEETING AT 10.20PM