



Minutes of the meeting of the AUDIT COMMITTEE held on TUESDAY 29 SEPTEMBER 2009 at 7.30 pm

**Present:** Councillor White (Chair)  
Councillors Bint, Burke, Dransfield, Gerrella, Tunney and Williams.

Mr C Fogden and Mr A Peck (Independent Members)

**Officers:** T Hannam (Corporate Director, Finance and Risk Management), D Wilkinson (Head of Audit and Risk Management), M Hodgson (Head of Operational Finance), G Waghorn (Deputy Head of Finance), J Moffoot (Head of Democratic Services) and L Sung (Senior Committee Manager).

**Also Present:** Councillor Crooks and M West and C Ryan (Audit Commission).

**AC28 APPOINTMENT OF SECOND VICE-CHAIR**

RESOLVED –

That Councillor Burke be appointed as the Committee's second Vice-Chair for the Council Year 2009/10.

**AC29 STATEMENT OF ACCOUNTS 2008-09**

The Committee received the Audit Commission's Draft Annual Governance Report for 2008/09. The Committee noted that the Audit Commission was required by the Code of Audit Practice to issue a report to those charged with governance summarising the conclusions of its audit work.

The District Auditor, on behalf of the Audit Commission, submitted a draft report setting out the position as at 17 September, and updated the Committee orally on the further work which had been conducted since the report was drafted and was still being completed.

The District Auditor reported that he intended to issue an unqualified audit opinion on the Council's financial statements. A number of outstanding matters had been identified, but these were being addressed satisfactorily, and would not affect the final position.

The audit had identified the following areas of concern:

- Strategic and service planning and financial planning were not sufficiently integrated with stronger links needed with other key Council strategies

- The medium term financial plan agreed in 2008/2009 included projected deficits for 2010/2011 and 2011/2012 and it was unclear how this would be addressed. Processes for identifying how efficiency savings would be realised needed to be strengthened.
- There was inconsistent quality in financial monitoring and forecasting with some significant variances reported at year-end, surrounding a number of one-off events.
- There needed to be stronger use of financial and related performance information to monitor performance.
- The Council had not demonstrated that it promoted and demonstrated the principles and values of good governance.
- The Council's risk management arrangements needed to have more of a corporate focus and be managed strategically.
- Fraud was not being managed as a corporate risk, nor an assessment made of the resources and activities required to manage the risk of fraud and corruption.

The District Auditor also reported that he had assessed the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources. Some weaknesses had been identified, but the District Auditor had concluded that the Council had made proper arrangements in its use of resources for the year ended 31 March 2009. The identified weaknesses were:

- Planning finances effectively to deliver strategic priorities and sound financial health;
- Having timely, reliable financial reporting that met the needs of internal users, stakeholders and local people;
- Promoting and demonstrating the principles and values of good governance; and
- Managing risks, including the risk of fraud and corruption.

The District Auditor invited the Committee to:

- Consider the matters raised in the report before approving the financial statements;
- Take note of the adjustments to the financial statements set out in the report;
- Agree to adjust the errors identified in the financial statements which management had declined to amend, or set out the reasons for not amending the errors;
- Take note of the value for money conclusion and use of resources score (2);

- Approve the letter or representation on behalf of the Council before the Audit Commission issued its opinion and conclusion; and
- Agree a response to the proposed action plan

Members discussed the issues raised in the report, and asked questions of the officers and the District Auditor. Particular reference was made to whether or not the remaining errors on the financial statements could be regarded as material enough to warrant them being amended.

RESOLVED:

1. That the District Auditor be thanked for the clarity of his report and presentation.
2. That the relevant officers be thanked for the speed and thoroughness of the responses to the issues raised during the audit.
3. That the attention of the Council and the Budget Review Group be drawn to the areas of concern identified by the District Auditor, and that the Cabinet be invited to report back to this Committee regularly on the action it is taking to address the concerns.
4. That the Committee accepts the view of officers that the remaining issues in the financial statements are not material, and that no adjustment needs to be made for them.
5. That officers report back to the Committee on the procedural changes which will be put in place to avoid these issues arising again.
6. That the following recommendations in the report be accepted:
  - (a) That the Council needs to continue to focus its efforts in improving its arrangements for fixed assets in the financial statements, particularly given the imminent implementation of International Financial Reporting Standards;
  - (b) That the compilation of the cash flow statement be reviewed to ensure that it is compliant with the Statement of Recommended Practice (SORP).
7. That the Corporate Director Finance and Risk Management be authorised to make the necessary amendments to the letter of representation in consultation with the Chair and Vice Chairs of the Committee, and forward it to the District Auditor.
8. That the audited Statement of Accounts 2008/09 be approved.

**AC30****REVENUE AND CAPITAL BUDGET MONITORING REPORT – TO END JULY 2009 (PERIOD 4)**

The Committee considered the risks affecting the revenue outturn position for the General Fund, Housing Revenue Account (HRA) and the Collection Fund as at the end of July 2009.

The Committee considered the risks affecting the forecast in particular issues relating to senior management changes and the impact on provision of services. The Committee suggested that the impact be monitored and that any savings made as a result be reported in the next financial report to the Committee.

As part of the financial reporting, the Committee suggested that the following areas be considered:

- Two-part review of Mouchel contract
- Report on the impact of the newly-established Corporate Leadership Team and how this impacts on staff hierarchy
- Limiting slippage to 10%
- Steps to harmonise the Capital Programme

RESOLVED –

1. That the Directorate forecast outturn positions be noted.
2. That the identified risks and areas of concerns be noted.
3. That the expenditure to date, projected outturn and funding position for the 2009/2010 Capital programme be noted.
4. That the variations approved by delegated decision to 9 September 2009 be noted.

**AC32****OVERVIEW AND SCRUTINY BUDGET REVIEW GROUP**

At the request of the Overview and Scrutiny Management Committee (Minute MC16 of the meeting held on 13 August 2009 refers), the Committee considered the draft Terms of Reference for the Budget Review Group.

RESOLVED –

That the Terms of Reference of the Budget Review Group be noted.

THE CHAIR CLOSED THE MEETING AT 10.25 PM