

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 23rd September, 2014

**PRESENT: Councillor Aldred (Chair)
Councillors Essex, Knowles, Morris, Oakes and
Procter**

**IN ATTENDANCE: Mr P Seddon, Finance Manager
Mrs J Crawford, Finance Manager
Ms K Murray, Director, Grant Thornton
Ms S Iqbal, Executive, Grant Thornton
Mr Ian Rushworth, Principal Auditor, Lancashire County
Council
Miss M Hargreaves, Committee and Member Services Officer**

ALSO PRESENT: 3 members of the public

1. CHAIR'S INTRODUCTION

1.1 The Chair welcomed everyone to the meeting.

2. APOLOGIES FOR ABSENCE

2.1 Apologies had been received from Councillor Evans (Councillor Morris sub), Councillor Hughes and Mr Ali.

3. MINUTES OF THE MEETING HELD ON 24TH JUNE 2014

Resolved:

1. That at 5.1 of the minutes it was noted that Councillor Knowles also declared an interest that he was a Director of Rossendale Transport.
2. That the minutes of the meeting held on 24th June 2014 were agreed as a correct record following this amendment.

4. URGENT ITEMS OF BUSINESS

4.1 The Chair confirmed that there were no urgent items of business.

5. DECLARATIONS OF INTEREST

5.1 Councillors Essex and Knowles declared they were Directors of Rossendale Transport. Councillor Morris declared he was a board member of Rossendale Leisure Trust and Capita. Councillor Aldred also declared he was a board member of Rossendale Leisure Trust.

6. PUBLIC QUESTION TIME

- 6.1 The Chair agreed to deviate from the procedure for public speaking and allow members of public present to ask questions as items on the agenda were presented. Members of the public were permitted to ask questions on items not on the agenda at this point in the meeting.
- 6.2 A member of the public asked a question in relation to 8.14 of the previous minutes in which they had asked a question at that meeting enquiring about a public list of properties and the NNDR that they paid. Following the response provided, it was unclear what data protection issues prevented this information being provided. The Head of Finance stated he would clarify this issue and follow it up with the Data Protection Officer.
- 6.3 A member of the public requested his best wishes be passed on to Councillor Evans. Councillor Essex stated he would pass this on.

7. CHAIR'S UPDATE

- 7.1 The Chair clarified a query raised from the previous meeting in relation to the responsibility of fraud and which portfolio area this could be incorporated into. It was noted that this responsibility was already incorporated into the Portfolio for Finance and Resources which was clarified within the Council's constitution.

8. INTERNAL AUDIT PROGRESS REPORT TO 31ST AUGUST, 2014

- 8.1 The Principal Auditor (LCC) outlined the Internal Audit Report for 2013/14 which provided members with a summary of the works carried out and the assurances given.
- 8.2 It summarised the work undertaken during the five months of the year to 31st August 2014 by the council's Internal Audit Service as part of the internal audit plan for 2014/15. The findings included in this report had been agreed with relevant directors and managers.
- 8.3 To 31st August 2014, 10 days had been spent in delivering the 2014/15 audit plan. Whilst it was a relatively small amount of time this was due to the majority of work focussing on the key financial systems which were required to be completed towards the end of the financial year. Work was either ongoing or had been programmed over the remainder of the year to ensure that the balance of the 2014/15 plan would be completed. The non-financial systems audits were in the process of being planned and some initial work had commenced.
- 8.4 It was noted members interests and declarations had been looked into and this would be reported at the next meeting. It was noted that internal audit had arranged for the council's data to be prepared and submitted as part of the next

NFI exercise. The Finance Manager also added that there would be a note on this in the members bulletin.

8.5 It was noted that 18 days had been spent during 2014/15 in finalising the 2013/14 audits that were previously outstanding. A summary of these audits and the findings was provided at page 3 of the report. It was noted that the four 2013/14 audits had recently been finalised. The Principal Auditor informed the committee that in the risk management audit there had been split level of assurances, meaning that there were high level processes in place however, these processes had not been embedded throughout the organisation.

8.6 The Principal Auditor stated that trade waste and bulky items had been looked at and provided substantial assurance. There was some concern as an outside company was used for the removal of bulky waste and it was difficult to match the invoices received to the customer requests. Hence, there was some concern of potential over charging by the company.

8.7 The Committee asked questions and made comments on the report to the Principal Auditor and Finance Manager, which included the following:

- In relation to risk management, as a previous member of the committee, it was asked for auditors to list recommendations and update progress of these to the committee. It was clarified that the Council's risk register and processes, as covered by the review at 8.5 above, were not the same as the review recommendations highlighted by other internal audit reviews. The review of outstanding recommendations referred to in this question was now in place and is brought annually to this committee in June.
- The embedding of Risk Management and monitoring. The Head of Finance stated that he did think that this was the case within the organisation and its culture as evidenced in reporting to Members and its project management.
- The audit definition and meaning of the term 'satisfactory' was queried and use of any other equivalent words was considered.
- If the asset management list was the same as that reviewed by the external auditors within the Statement of Accounts, to which the response was affirmative.

8.8 The following points/questions were made by members of the public:

In relation to the council's assets, what was happening to increase the returns being realised.

With regard to managing assets, how did this fit into the 5 year plan.

The Principal Auditor and The Finance Manager responded to questions raised.

Resolved:

1. That the audit progress report for the period to 31st August, 2014 be noted.

9. ANNUAL GOVERNANCE STATEMENT OF ACCOUNTS 2013/14

- 9.1 The Finance Manager gave an overview of the Statement of Accounts for 2013/14 and sought member approval of the Statement of Accounts and the Annual Governance Statement.
- 9.2 It was noted that the Annual Governance Statement was treated as a separate entity and during the external audit some sentences had been clarified and improved, particularly page 15. There were no other major changes to the statement.
- 9.3 In relation to the Accounts, it was noted that a full summary of the changes were outlined in appendix 2. Whilst some of the amendments involved large amounts and impacted upon multiple areas of the accounts, the Finance Manager confirmed that the outcome meant that:
 - though the Comprehensive Income and Expenditure Account (CIES) had changed favourably by £1,067k, there had been no impact upon the Council's General Fund Balance of £1m as these were technical accounting corrections rather than operational changes,
 - the Earmarked Reserves had risen by £274k as funds formerly in provisions were re-designated to Reserves,
 - £382k of capital grants received had now been allocated from the Capital Receipts Reserve to the unusable Capital Adjustment Account to fund expenditure during 2013/14
- 9.4 The Finance Manager noted that the letter of representation to the external auditors was appended at appendix 3. Members were asked to note this letter, which followed closely the standard letter of representation for an authority which presented group accounts.
- 9.5 The Committee asked questions and made comments of the report to the Finance Manager, which included the following:
 - Valuation of the Valley Centre and where this would be within the report
 - Valuation of land the council owned and what assets come under this
 - The valuation basis and timings for plant/vehicle assets
 - Museum and exhibit assets, was this valued incorporated within RBC accounts and if so what was the value
 - Further clarification on the variance between the budget and actual figures for leisure services on page 7
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- 9.6 A question was raised by a member of the public in relation to the 5 year land supply and the value the council was placing on this within the accounts. Further to this a suggestion was made to sell some of the council's assets in order to create additional income.
- 9.7 A question was raised by a member of the public about the procedure of disposing of an asset.

The Finance Manager and the Head of Finance responded to questions raised.

Resolved:

That Members note the contents of this report and

- That the Annual Governance Report at Appendix 1- pages 10-15 is approved
- That the audited Statement of Accounts at Appendix 1 is approved for issue
- That the Letter of Representation at Appendix 3 is noted.

10. AUDIT FINDINGS REPORT 2013/14

- 10.1 The External Auditor outlined the Audit Findings Report 2013/14 and noted that it seemed like there had been a lot of changes however, this was due to late grant income and changes in one area had a knock on effect. This issue had now been resolved.
- 10.2 It was noted that the outstanding work on page 5 of the report had now been completed, apart from the audit closure. Pages 9-12 highlighted the work which was outstanding when this report went to press, all of which had now been completed. On pages 15-17 were the changes which had been completed by the Finance Manager. There were a small number of minor issues which had been amended for completeness.
- 10.3 It was noted that it was a good set of accounts and working papers and thanks were passed to the Finance Manager and her team.
- 10.4 In relation to value for money, there were two areas that were focussed on which were securing financial resilience and securing economy, efficiency and effectiveness. It was noted that the council's strategic financial plan would require tough decisions from members and delivering these would be challenging. The auditor confirmed that the council's strong financial management processes would ensure that, once those decisions were made, the Council would be in a good position to deliver the savings required.
- 10.5 The Committee commented on the report as summarised below:-
- Very thorough report – small amendment on page 31, the percentage figure is incorrect

- The term 'significant' used. It was noted that this was a standard audit phrase
- Possible training need for members on value for money as it covers different aspects in audit context
- If Grant Thornton had adopted any working practices from the Audit Commission

The External Auditor and the Finance Manager responded to the questions raised.

Resolved:

That the Audit Findings Report 2013/14 be approved.

11. STANDARDS COMPLAINTS UPDATE

- 11.1 The Chair informed the committee that no complaints had been made regarding standards matters.

Resolved:

That the update was noted.

The meeting commenced at 6.30pm and finished at 8.00pm

Signed (Chair)

Date