

Date of Meeting: 28th September 2006

**PRESENT: Councillor Ruddick (in the Chair)
Councillor Challinor, Ormerod and Robertson
(substituting for Hancock)**

**IN ATTENDANCE: Mike Thomas, District Auditor, Audit Commission
Gareth Kelly, Audit Manager, Audit Commission
George Graham, Executive Director of Resources
Phil Seddon, Head of Financial Services
Pat Couch, Scrutiny Support Officer
Councillor Essex**

APOLOGIES Councillor A Barnes and Hancock

BUSINESS MATTERS

1. URGENT ITEMS

There were no urgent items to be considered.

2. DECLARATIONS OF INTEREST

No declarations of interest were made.

3. PUBLIC QUESTION TIME

There were no members of the public present.

ITEMS FOR CONSIDERATION

4. FINAL ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2005/06

Councillor Ormerod introduced a report of the Head of Financial Services on the final audited Statement of Accounts and Annual Report for the year end 31st March 2006, indicating that the Council has a statutory duty to approve the audited accounts by 30 September 2006.

There were no changes to the final reserves since the draft which was presented to Members in June 2006.

The Head of Financial Services commented that there had been a number of technical adjustments including:

- Rossendale Transport Limited subsidiary (Coachways Limited) and notes to the Group accounts;
- Treatment of Housing as a discontinued service;

- Reclassification of assets to non-operational assets, being those not in use as at 31st March 2006 (eg Rawtenstall Town Hall)
- Government grants deferred written down to match depreciation on intangible assets
- Auditors opinion and certificate extended to include a conclusion on the arrangements for securing economy, efficiency and effectiveness in the use of resources
- Inclusion of contingent liabilities and asset notes
- Housing Capital Charges reduced due to changes in stock valuation, though no impact on reserves

The main revenue accounts therefore continue to show the following balances as at 31 March 2006:

	£000s
• GF	£647
• HRA	£1,098

The Housing Revenue Account, following the Housing Stock Transfer, must remain open for a further 12 months; thereafter any remaining balance can be transferred into General Fund on 1st April 2007.

The Executive Director of Resources informed the Committee that all Members would receive a printed copy of the document when available.

Resolved:

That the Committee approve the Final Annual Report and Statements of Accounts 2005/06.

5. AUDIT COMMISSION – ANNUAL GOVERNANCE REPORT

The District Auditor presented the Annual Governance Report which is a new report summarising work in relation to the Opinion Audit.

The report covered the audit of the Council for the year ended 31 March 2006. The principle purposes of the report were:

- To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Committee
- To share information to assist both the auditor and the Committee to fulfil their respective responsibilities
- To provide the Committee with recommendations for improvement arising from the audit process

The report included consideration of the qualitative aspects of the financial reporting process, including matters that have a significant

impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.

One issue highlighted in the report was that the group accounts did not contain any differences in accounting policies between Rossendale Borough Council and Rossendale Transport Limited. This was significant as Rossendale Transport Limited accounts do not appear to be UK GAAP compliant as their fixed assets are not revalued on a rolling five year programme including the main Rossendale asset, which has not been revalued since 1992. Other issues were highlighted but the District Auditor indicated that these were not significant but could have been accounted for in a number of ways.

In relation to Paragraph 2, Internal Audit had identified concerns on the segregation of duties around material financial systems such as creditors and debtors with reconciliation not completed on a regular basis. The District Auditor indicated that this was reasonably significant and needed to be highlighted and he also accepted the comment made by Councillor Ormerod in that the some areas have already seen improvements.

The District Auditor confirmed that the letter of representation had been signed by both the Head of Finance and the Leader of the Council.

The Council had met the minimum standard for eight of the twelve criteria in the Value for Money Conclusion and the District Auditor indicated that some years ago the Council would have scored fairly poorly against all of the twelve criteria but now he can see significant improvements.

The District Auditor thanked the Executive Director of Resource, the Head of Finance and Janice Crawford for their assistance.

Councillor Essex asked a question in relation to the challenging timetable and whether this would be the same for next year. The District Auditor reported that the timetable would again be the end of September 2007 and that at the end of the financial year the finance department have only 3 months to pull the report together.

The Executive Director of Resources indicated that there was a period when the accounts have to be on public display, although this year no member of the public had requested to look at them.

Councillor Ormerod asked if there would be continuity to the Council from Mr Thomas as District Auditor who responded by indicating that the auditors work with the Council for 5 years.

The Chair thanked the Audit Commission for their contributions to the improvements to the Council over the last 3 years and for their advice and guidance during this time. He also expressed his personal thanks to

George Graham, Phil Seddon and Janice Crawford who had done all the hard work on behalf of the Council.

The Head of Finance expressed his personal thanks to Janice Crawford for her hard work and commitment.

The Executive Director of Resources informed the Committee that the report would be presented to the next meeting of the Audit Task Group in November.

Resolved:

That the Committee receive the Audit Commission's Annual Governance Report

6. CONSULTATION DRAFT GOOD GOVERNANCE IN LOCAL GOVERNANCE

The Executive Director of Resources presented a report of the Head of Legal and Democratic Services, which indicated that a Working Group had been established by CIPFA in association with SOLACE to update the governance framework. The report had been referred to this Committee by the Standards Committee at its meeting on 22 August 2006.

The Cabinet had approved the Governance Framework and the Executive Director of Resources indicated that the new benchmark would bring along some changes.

The two key issues which the Council's Chief Auditors had raised in response to the draft were about

- Proportionality of what is required
- The change in nature of Assurance Statements that are to be provided.

The new standard is looking at a wider Governance Statement and is moving away from Internal Control. This would be far more difficult to audit.

The Chair asked the Committee if they would be happy to sign up for this and everyone agreed.

The meeting commenced at 6.30pm and finished at 7.10pm