

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 30th JUNE 2009

**PRESENT: Councillor Morris (Chair)
Councillors Aldred, Dickinson, Evans, Lynskey and
J Piling**

Heather Massie (Co-opted Member)

**IN ATTENDANCE: Phil Seddon, Head of Financial Services
Janice Crawford, Finance Manager
Andrew Fox, Principal Auditor, Lancashire Audit Service
Zaheer Abbas, Senior Auditor, Lancashire Audit Service
Clive Portman, Audit Commission
Pat Couch, Scrutiny Support Officer**

IN ATTENDANCE: Councillor Essex

The Chair indicated that as this was the first meeting of the Audit and Accounts Committee it would be appropriate for everyone to introduce themselves.

1. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Tony Hough, Audit Commission.

2. MINUTES OF THE JOINT STANDARDS AND AUDIT COMMITTEE MEETING HELD ON 24 FEBRUARY 2009 AND THE ACCOUNTS COMMITTEE ON 30 SEPTEMBER 2008

Resolved:

1. That the Minutes of the meeting of the Joint Standards and Audit Committee held on 24 February 2009 be signed by the Chair as a correct record.
2. That the Minutes of the Accounts Committee held on 30 September 2008 be agreed as a correct record.

3. DECLARATION OF INTEREST

The following people declared an interest as, although not on the agenda, both Rossendale Leisure Trust and Green Vale Homes were mentioned in the reports.

Councillor Morris and Councillor Aldred declared a personal interest as they were both Board Member of Rossendale Leisure Trust.

Heather Massie declared a personal interest as she was a Board Member of Green Vale Homes.

4. URGENT ITEMS OF BUSINESS

There were no urgent items of Business

5. PUBLIC QUESTION TIME

No questions were raised under this item.

6. TERMS OF REFERENCE

The Chair presented the Terms of Reference of the Audit and Accounts Committee for information, indicating that these had been agreed at Annual Council in May 2009.

Resolved:

That the Terms of Reference of the Audit and Accounts be noted.

7a. ROLE OF EXTERNAL AUDIT

The District Auditor gave a brief introduction on the role of the external auditor indicating that the Audit Commission appoints and regulates external auditors, defines responsibilities of the auditor and councils and issues Audit codes.

Appointed Auditors have two main duties which were to audit the accounts and give an opinion and conclude whether there were proper arrangements to secure economy, efficiency and effectiveness.

The District Auditor explained that the Audit Commission also appointed Comprehensive Area Assessment Leads, who are responsible for the planning, co-ordination and delivery of the Audit Commission's inspection work.

7b. ROLE OF AUDIT AND RISK MANAGEMENT

The Senior Auditor of Lancashire Audit Service gave a brief introduction on the role of audit, which provides assurance over the control environment and control processes and comprises of external audit, internal audit and the Audit and Accounts Committee.

He highlighted the legal and professional frameworks surrounding internal audit and noted key differences between the internal audit and external audit process. He also explained that the purpose and objective of the Audit and Accounts Committee was to provide an independent assurance of the risk management framework and the associated control environment. It would also provide independent scrutiny of the authority's financial and non financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Principal Auditor of Lancashire Audit Service gave a brief introduction on Risk Management which would provide members with a basic understanding on the concept of

risk. If an Authority does not have effective risk management then it does not have effective management.

He explained that the role of Members was to get involved in the identification of high level, strategic risks and to oversee the effective management of the risks to the organisations objectives.

The Principal Auditor indicated that Lancashire Audit Service were assessed by the Audit Commission on a triennial basis against the eleven standards contained within the CIPFA Code of Practice for Internal Audit in Local Government. The next assessment is due late 2009/ early 2010. Members asked to receive a copy of their assessment report when it was published and this was agreed.

A number of questions were raised and answered by the relevant Officer.

8. NATIONAL FRAUD INITIATIVE

The Principal Auditor provided an update on the 2008/09 National Fraud Initiative exercise and further work to be undertaken during 2009/10.

National data matching commenced in 1996 and compares different data sets to help identify fraudulent and erroneous payments. Testing relevant to the Council is primarily directed towards reducing the level of housing benefits, but also addresses other areas including payroll, creditors, market trader licenses and taxi driver licences. During 2008 this exercise was extended to include electoral roll register, insurance claims, council tax and personal licenses to supply alcohol. The Audit Commission had now included housing associations in the NFI exercise. Prior to 2008 the NFI exercise was carried out every two years but this was now undertaken every year, but with different data sets alternating between the years.

Investigations relating to the 1,892 matches received across the different matching categories from the most recent exercise were currently ongoing. To date, council tax overpayments totalling £23,000 had been identified, mainly relating to changes in circumstances relating to single person discount, which were not necessarily considered to be fraud. The Council is currently seeking to recover these overpayments.

The Principal Auditor answered a number of questions raised by Members.

Resolved:

That the Committee note the excellent work undertaken with the National Fraud Initiative.

9 INTERNAL AUDIT REPORTS

9a Annual Internal Audit Report 2008/09

Zaheer Abbas, Senior Auditor, Lancashire Audit Service presented the annual internal audit report which shows results of internal audit work undertaken during 2008/09. He reported that the overall opinion confirmed that the Council's internal control environment taken as a whole was adequate and generally effective. He raised some key themes and issues which, although do not affect the overall conclusion and the Annual Governance Statement have

been brought to the attention of members. The matters included in the report had been discussed with individual service managers during the course of the year and the recommendations in these reports have been appropriately agreed with management. In addition, Zaheer stated it was the auditor's role to check that recommendations in the 2007/08 report had been implemented and confirmed that good progress had been made in implementing recommendations raised in the previous year, although actions were still required in some areas.

A number of questions were raised by members relating to individual reviews including:

- Business Continuity Plans;
- Limitation on Council investments
- Cash collection and banking
- IT Controls

The Senior Auditor confirmed to Members that they had seen significant improvements in core financial controls over the last five years and highlighted the commitments taken by the Council.

Resolved:

That the Committee considered and approved the Annual Internal Audit Report 2008/09.

9b Annual Audit Plan 2009/10

Andrew Fox, Principal Auditor, Lancashire Audit Service presented the proposed Internal Audit Plan for 2009/10. It was reported that the proposed plan amounted to 280 audit days and covered both core financial systems and focussed reviews. He summarised the planned work as detailed below.

- Core financial systems
- Response to fraud/impropriety
- Data quality
- Project Management
- Fraud Risks
- Partnerships
- National Fraud Initiative
- IT Controls
- Contingency

Resolved:

That the Internal Audit Annual Plan for the period 1 April 2008 to 31 March 2009 be approved.

10 EXTERNAL AUDIT REPORTS

10a Annual Audit and Inspection Letter 2007/08

The District Auditor from the Audit Commission reported on the key messages of the reports as detailed below:

- Rossendale improving at a faster rate than other councils
- Performance in key service areas has improved
- Access to services was also improving
- The Council was contributing well to wiser community outcomes
- The Council was reviewing its leisure facilities
- Value for money was improving, but cost and performance data was not yet used consistently to review and challenge value for money across all services.
- The Council had a good strategic framework to support future improvements
- The Council had made good progress in improving its arrangements for ensuring probity in the planning process since our previous audit review in 2002/03

The District Auditor indicated that direction of travel was improving well.

He explained that the new Use of Resources was about outcomes and not what the Council has in place.

The District Auditor responded to questions raised by Members.

Resolved:

That the Annual Audit and Inspection letter be noted.

10b. Audit Opinion Plan 2008/2009

Clive Portman presented the Audit Opinion Plan which set out the work that they proposed to undertake in order to satisfy their responsibilities under the Audit Commission's Code of Audit Practice.

The Council was required to prepare the financial statement by 30th June 2009. The Audit Commission were required to complete their audit and issue their opinion by 30 September 2009.

The District Auditor informed Members that a letter had been sent to the Chief Executive highlighting the fees that would be charged for the next 12 months and the proposed reduction they intend to give. He also indicated that as the Audit Commission had recognised the direction of travel the Council was taking, further reductions could not be ruled out.

Resolved:

That the Audit Opinion Plan be noted.

11. STATEMENT OF ACCOUNTS 2008/09

The Finance Manager gave an introductory presentation which explained the technical nature and background to a local authority's Statement of Accounts which outlined the following:

- There is a statutory duty to approve the draft Accounts on or before 30th June so they can be presented for audit and public scrutiny.
- The document had to comply with accounting requirements laid out in the Statement of Recommended Practice 2008
- For 2010/11 accounts there will be a requirement to follow the International Finance Reporting Standards and preparation has begun to prepare for transition.
- Audited accounts had to be considered and approved by the Audit and Accounts Committee by 30 September 2009
- The Annual Governance Statement reviews the systems, procedures, culture and values through which the Council is controlled and governed
- The system of internal control is backed by a series of assurance statements from Heads of Service and Managers
- Cash Flow Statement translate the changes in the Liquid Reserves on the balance sheet into cash transactions, split between cash in-flows and cash out-flows

The Finance Manager then introduced the Statement of Accounts as follows:

- General Fund – last reported forecast out-turn to Cabinet was £150.5k
- Final out-turn is a surplus of £129k
- Net use of Reserves £513k (£265k above budget – but £282k of this related to the Sungard buy-out
- Revenue contributions towards capital expenditure was £513k
- Balance Sheet – fixed assets – little net movements, though there have been some major implications from building revaluations - £1,083k gains mainly on leisure buildings and £1,720k losses on Town Centre vacant buildings
- Long term investment – Rossendale Transport subsidiary has been re-valued
- Government Debtors had reduced by £1m, yet prudence demands that bad debt provision for other debtors increase in the current economic climate
- Investments in higher-rate bank accounts have risen by £2.2m, but at the same time cash in the main current account has fallen by £1.1m and a one year PWLB loan of £1.5m was taken out in February to support the capital programme

Members then discussed the Accounts and questioned areas including the robustness of the revaluation of the Investment in Rossendale Transport Ltd and the adequacy of the Pension Fund Earmarked Reserve.

Members highlighted a number of amendments to the Statement of Accounts which the Committee was asked to approve before the accounts were submitted for audit.

- Annual Governance Report page 18 – include reference to independent member on the Audit and Accounts Committee
- Note 7 Members Allowances– Chair (& Vice) Chair of Overview and Scrutiny Committee should read Chair (& Vice) Chair of Overview and Scrutiny Management

Committee

- Note 19 Investments– total text should read “Total Investments”
- Note 43 Approval of the Accounts - Cllr Morris should be referred to as Chair of the Audit and Accounts Committee
- Glossary – no mention of the Housing General Fund, which was questioned for its content in the Income & Expenditure Account

Resolved:

That, with the amendments highlighted by Members, the Statement of Accounts for 2008/09, including the Annual Governance Statement 31st March 2009, be approved and signed by the Chair.

That the amended Statement of Accounts 2008/09 be submitted for public scrutiny and external audit in accordance with the regulations.

The meeting commenced at 6.30pm and finished at 9.40pm

Signed
(Chair)

Date