

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 27th September 2010

**PRESENT: Councillor Morris (Chair)
Councillors Aldred, Crawforth (substitute for Robertson), Driver,
Evans and Neal**

**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
Tony Hough, Audit Commission
Clive Portman, District Auditor, Audit Commission
Mumtaz Ali, Co-opted Member
Councillor Essex (as Portfolio Holder for Finance and Resources)
Michelle Hargreaves, Committee and Member Services Officer**

ALSO PRESENT: 1 member of public

1. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Robertson.

2. MINUTES OF THE MEETING HELD ON 29th JUNE 2010

Resolved:

That the Minutes of the meeting held on 29th June 2010 be signed by the Chair as a correct record.

3. DECLARATION OF INTEREST

Councillors Aldred and Morris declared a personal interest due to being on the Board of the Leisure Trust. Councillor Driver also declared a personal interest owing to her involvement with Greenvale Homes.

4. URGENT ITEMS OF BUSINESS

There were no urgent items of business

5. PUBLIC QUESTION TIME

There were no questions raised at this point in the meeting, the Chair welcomed the member of public to ask questions later in the meeting.

6. CHAIRS UPDATE

As requested at the previous meeting, the Chair had contacted Legal Services regarding item 3 of the previous minutes and clarified that it was best practice for members to record any declarations of interest.

7. INTERNAL AUDIT PROGRESS REPORT

The Principal Auditor, Lancashire Audit Service, presented the internal audit progress report which showed the details of internal audit work undertaken for the five months to 31st August 2010. From the work undertaken to date there were no significant weaknesses identified that had a material impact upon the Council's internal control environment.

The Principal Auditor gave a brief summary of the internal audit work undertaken and the outcomes of reviews completed since the previous meeting, including suggested improvements to further enhance existing controls.

Where internal audit reviews were ongoing at the 31st March, the number of days carried forward for each review would be included in progress reports presented to the Committee from now on.

Discussion took place on the item and the following issues were raised:-

- Clarification of planned audit days relating to work carried over from a previous financial year
- Concerns over the number of empty properties within Rossendale generally;
- The implications for RBC, if any, arising from the auditors being requested to defer the planned review of Health Inequalities pending the outcome of a separate review currently being undertaken by the Council;
- The controls within the Creditors system to prevent duplicate payments.

Resolved:

That the Internal Audit Progress Report for the period 1st April 2010 to 31st August 2010 be noted.

8. ANNUAL GOVERNANCE REPORT

The District Auditor presented the Annual Governance Report prepared on behalf of the Audit Commission and asked Members to approve the annual letter of representation before the Auditor issued his opinion, conclusion and certificate.

The District Auditor highlighted to the committee that the audit of the financial statements were risk based. Key areas of concern across the country were around the implementation of changes to the Statement of Recommended Practice (SORP) and preparations for the introduction of International Financial Reporting Standards.

Based on the guidance provided by the Audit Commission, the calculated materiality level for Rossendale was £843,000. The trivial threshold was 1% of materiality, i.e. £8,430. Any amendments above this triviality threshold are reported to those charged with governance in summary, or in detail if they were greater than £84,300.

It was noted that £478,000 was removed from both income and expenditure under the Cultural Environmental and Planning Section; this was a late removal of a debtor in respect of Performance Reward Grants given the announcements of grant reductions in early June. Other aspects of the removal had already been enacted; therefore this change did not affect the overall position of the Council.

The Accounts now include a Post Balance Sheet Event Note on pensions to explain the changes to liability calculations from an RPI to CPI basis with effect from the 1st April 2010. This had been estimated to typically reduce the level of pension liabilities by between 5% and 8%, however this did not change the values in the accounts for 2009/10.

A typographical correction of £200,000 has been made to the note on Finance and Operating Leases and the value of benefit overpayment debtors had been corrected downwards by £35,000, though this had also reduced the corresponding provision for debt impairments. Neither of these changes had altered the Council's overall financial position.

Other changes were to elaborate on notes to the Statements and to incorporate into the Group Accounts the changes made to Rossendale Transport Ltd accounts following their audit in July.

Following a discussion on the changes above, the Head of Finance explained to the committee the slight amendments to the wording of the draft letter of representation which was in appendix 3 of the report. These changes clarified the duty to disclose any irregularities, though none are known, and the Council's position with regard to financial guarantees given to third parties. All changes were accepted by the District Auditor.

The District Auditor then presented the element of his report examining the Value for Money arrangements of the Council for securing economy efficiency and effectiveness.

Discussion took place on the item and the following issues were raised:-

- Clarification of appendix 4 of the report – Value for Money criteria
- Action Plan for future focus and development – appendix 5

Resolved:

That the report be noted with reference to greater partnership arrangements and further development of performance targets for the management of natural resources.

9. STATEMENT OF ACCOUNTS 2009/10

The Finance Manager presented the report which was to seek member approval of the amended and audited Statement of Accounts for the year ended 31st March 2010 (at appendix 1) and within this, receipt of the audited Accounts from the Subsidiary, Rossendale Transport Ltd.

Further detail was provided on the amendments listed at appendix 2 to the report, the most significant of which had already been noted by the District Auditor. It was confirmed that there had been no changes to the net position of the Council following the audit.

The Chair welcomed the member of public to ask any questions relevant to the item. A question was raised regarding the format of the Statement of Accounts and the Head of Finance clarified that the format follows the current Statement of Recommended Practice followed nationally by all local authorities. The Head of Finance also agreed to direct the member of the public to other Council financial reporting, namely the annual budget book and monthly financial monitoring reports, in order to get further clarification on the Council's finances.

Discussion took place on the item and the following issues were raised:-

- Rental income from leisure buildings
- Clarification on homeless grants
- Interest rates and the level of long term borrowing
- One further typographical amendment to Note 15 was pointed out during the discussion
- A concern was raised by a member of the committee in relation to Note 21 on page 39.

Resolved:

That the report be approved with the correction of Note 15.

Following this resolution the District Auditor formally issued his opinion on the Statement of Accounts for 2009/10, as included in appendix 1 to item 8 above and within the Statement itself.

10. COMPLIANCE WITH INTERNAL STANDARDS ON AUDITING AND QUALITY CONTROL

The Head of Finance outlined to the Committee that for the second year running the Audit Commission had requested approval regarding compliance with International Auditing Standards.

The Audit and Accounts Committee were to confirm the following:

- How the Committee oversees the management process to identify and respond to the risk of fraud.
- Whether the Committee had knowledge of any actual suspected or alleged fraud affecting the council.

The key points which had been stated in the response letter were outlined to the Committee.

Discussion took place on the item and the following issues were raised:-

- Future of Standards Committee

Resolved:

That the report be approved and the response signed by the Chair on behalf of the committee.

The meeting commenced at 6.30pm and closed at 8.10pm

Signed
(Chair)

Date