

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 20th June 2012

**PRESENT: Councillor Aldred (Chair)
Councillors Evans, Knowles, Morris, Oakes and Procter
Mr M Ali (Co-opted Member)**

**IN ATTENDANCE: Mr P Seddon, Head of Finance and Property Services
Mrs J Crawford, Finance manager
Mr A Fox, Principal Auditor, Lancashire Audit Service
Mr Z Abbas, Senior Auditor, Lancashire Audit Service
Ms K Murray, District Auditor, Audit Commission
Mrs J Cook, Committee Officer**

**ALSO PRESENT: Councillor D Smith and Councillor P Marriott
3 members of the public**

1. APOLOGIES FOR ABSENCE

1.1 Apologies had been received from Councillor De Souza.

2. MINUTES OF THE MEETING HELD ON 12TH MARCH 2012

Resolved:

The minutes of the meeting held on 12th March 2012 were agreed as a correct record.

3. URGENT ITEMS OF BUSINESS

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

4. DECLARATIONS OF INTEREST

4.1 Councillor Evans declared a personal interest in Item 9 on the agenda as he was a member of the Lancashire County Council Pensions Committee in his capacity as a County Councillor.

4.2 Discussion took place Council appointments to outside bodies and the Chair clarified the legal advice given by the Monitoring Officer.

5. PUBLIC QUESTION TIME

5.1 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.

5.2 Mr Entwistle sought clarification of when the updated corporate spend analysis would be uploaded onto the Council's website. It was noted that this would be done shortly and that Mr Entwistle would be notified by the Finance Manager. It was noted that this information was not generally sent out via hard copy and was available on the website.

5.3 Mr Entwistle referred to an advertisement placed in the Rossendale Free Press regarding inspection of the Statement of Accounts. The Finance Manager clarified the access to financial records and statements available to members of the public. In addition the District Auditor agreed to send Mr Entwistle the Audit Commission Publication Scheme.

6. CHAIR'S UPDATE

6.1 The Chair had no updates following the last meeting.

7. ANNUAL INTERNAL AUDIT REPORT 2011/12

7.1 The Principal Auditor introduced the report which was an annual summary of the work that the Council's internal audit service had undertaken during 2011/12. It was noted that the auditors had been able to give substantial assurance over the internal control environment.

7.2 The Principal Auditor outlined some of the areas of work carried out over the previous year and drew members attention to key issues that had arisen as a result of audit work and also updates were given on follow-up work that had been finalised since the last meeting of the Audit and Accounts Committee. It was noted that one high priority recommendation had been made with regard to income collection and banking with regard to the outstanding markets related debts and the works undertaken were noted.

7.3 Members attention was drawn to recommendations made with regard to asset management and NNDR audit works and reviews of the council's health partnerships. It was noted that this would be the subject of follow-up work to ascertain what actions had been taken as a result of audit recommendations. The Principal Auditor noted that work to examine the health partnerships had resulted in limited assurance being given, as these arrangements were in the early stages and evidence of the Council's available resources for delivery were not yet clear. The area of public health is currently in transition with significant responsibility being transferred to Lancashire County Council from April 2013.

7.4 The Principal Auditor summarised the National Fraud Initiative (NFI) work that had been undertaken during the year as part of the Audit Commission's national

data matching exercise. It was noted that out of the 1402 matches found, 1381 had been assessed, with those remaining being designated low risk.

7.5 The Principal Auditor outlined the number of audit days carried out during 2011/12 with 245 days undertaken against a planned input of 260. The variance of 15 days related to audit reviews on-going as at 31st March 2012.

7.6 Members discussed the report as follows:-

- Concerns were expressed regarding staff who have left the employ of the Council having their NNDR system access removed. It was noted that this would be followed up with Capita and it was clarified that this was not outstanding from November 2011, but was an issue that had been identified that week, which would be followed up.
- Discussion took place on health partnerships and it was noted that Overview and Scrutiny had undertaken its own reviews on health provision at the 'Hub' in Rawtenstall. The Principal Auditor clarified that the audit concerned the resources and remit of the council in order to carry out the works identified through meetings with the Council and NHS.
- It was noted that of the 15 days of 2011/12 audit work outstanding, these related to NNDR, general ledger and follow-up work.
- It was noted that once the Audit Commission ceased to exist, then NFI work would be carried out by the National Audit Office and run by Capita. It was noted that the cost to the Council was approximately £2.2k, though actual investigation work costs could not be quantified. It was further noted that a major benefit of the NFI work was the 'deterrent effect'.
- The Principal Auditor clarified the recommendations made with regard to sign-off of debts by the Cabinet and it was clarified though this was not a significant risk, that Council procedures, if in place, needed to be followed.

Resolved:

That the report be noted.

8. ANNUAL INTERNAL AUDIT PLAN 2012/13

8.1 The Principal Auditor outlined the proposed audit plan for 2012/13 which had outlined 225 audit days, which was a 13.5% reduction on the previous year's plan. The 2012/13 plan would focus on corporate controls, cross-service controls, service-specific controls and common controls. In particular the 2012/13 audit would focus on risk management, health and safety, governance – public consultations and ICT controls – public sector network/government connect.

8.2 Members discussed the report as follows:-

- It was noted that the reduction in audit days for 2012/13 would lead to an approximate reduction in costs to the Council of just over £9k. Discussion

took place on this matter and it was noted that familiarity with the Council's systems and progress made had assisted in the reduction of planned audit days.

- It was noted that the audit of health and safety could concentrate on management's understanding of potential risks and robustness of action points.

8.3 Members of the public commented on the report as follows:-

- Discussion took place on the NNDR review and the Head of Finance and Property Services clarified the amount of control and risk that would be handed over to Local Government. It was noted that solutions to empty town centre properties and NNDR as a whole was outside the remit of the Audit and Accounts Committee.

Resolved:

That the Annual Internal Audit Plan for the period 1st April 2012 to 31st March 2013 be approved.

9. ANNUAL GOVERNANCE STATEMENT AND DRAFT STATEMENT OF ACCOUNTS 2011/12

9.1 The Head of Finance and Property Services introduced the draft Annual Governance Statement and its purpose which was to outline the Council's scope of responsibility, culture and governance framework. It was noted that members may wish to add the transfer of health to local authorities to this Statement, in view of comments made by the Internal Auditors.

9.2 The Finance Manager outlined the draft Statement of Accounts 2011/12 and drew members' attention to key issues therein:-

- The General Fund movements were noted and £115k had been transferred into the directorate investment reserve, which left a net reduction to the general fund reserve of £10k, leaving a closing General Fund Reserve balance at 31st March of £953k.
- Attention was drawn to the cash flow statements and balance sheet and it was noted that heritage assets were now required to be recorded, due to a retrospective change in reporting requirements laid out in the Code of Practice. This now included mayoral assets and museum assets. It was noted that this was a valuation for insurance purposes only and not market value.
- It was noted that assets had increased by £3.9m, which included £977k of assets under construction (Marl Pits) and £2.2m for the Valley Centre project.
- Short term debtors had risen, principally in relation to the NNDR agency arrangements. Downward revaluations had resulted in a material 5-year cumulative repayment to one company, however it was noted that central government had agreed to repay the majority of this sum ahead of the formal

audit of the claim.

- Pension deficit had risen by over £4m, which had arisen from a £2m loss on actuarial valuations of liability and a £2m decrease of assets.
- Reserves – details of the net movement of £152k from Earmarked Reserves were discussed, comparing the year-end movements shown at Note 34a with those reported on a monthly basis in the financial monitoring reports.
- Government grants unapplied – £70k remained from the Elevate Grant, which would be used to cover revenue costs and small corporate projects. It was noted that over £1m of new grant had been received for specific projects such as disabled facilities and the Queen Street homeless hostel, and a significant amount had been received towards playgrounds.
- Cash flow – The net decrease in cash reflects the corporate spending on leisure investment and the Valley Centre.
- There was a collection fund deficit of £101k and it was noted that a significant increase in single person discounts had resulted in a reduced collectable amount. In terms of the overall deficit, the Council's element amounted to £16k to give a cumulative deficit of £25k.
- Group accounts – the Group accounts now incorporate the draft accounts of Rossendale Transport Ltd. Those accounts are expected to be finalised by the end of July and the results will be updated for the Council's final accounts in September.
- The Finance Manager noted that there were 2 errors in the draft Statement of Accounts as follow – on page 64 the total net liability should read £25.9m instead of £22m and on page 67, the cash liquidity should read 0.5% not 50%.

9.3 Members discussed the report as follows:-

- Clarification was sought regarding the Valley Centre costings and it was confirmed that it had been purchased late November 2011 and that the cost of the hoardings surrounding the site were included as part of the demolition contract.
- The value of the marl pits project was discussed and the actual was expected to be £2.6m.
- Green Vale Homes – confirmation was sought on the VAT shelter arrangement with Green Vale Homes and the expected contribution levels towards disabled facilities grants. The Finance Manager confirmed that the VAT shelter agreement runs until March 2016 and the DFG contributions are expected at the same level (up to £200k) for at least 2012/13.

9.4 Members of the public commented on the report as follows:-

- Mr Entwistle queried why Rossendale Leisure Trust were not included within the accounts and also queried whether the council could re-charge LCC with regard to council tax precepts. It was clarified that Rossendale Leisure Trust were a separate entity with separate accounts and the Finance Manager clarified the council tax collection procedure and precept charges.

Resolved:

1. That the Annual Governance Statement: Year ended 31st March 2012 be approved with the addition of the transfer of public health liabilities to local authorities.
2. That the Draft Statement of Accounts is noted.

10. AUDIT AND ACCOUNTS COMMITTEE UPDATE

- 10.1 The District Auditor introduced the report which was a brief update on the work carried out to date. It was noted that there was little to report as this was very early in the new financial year.
- 10.2 The District Auditor noted that she was undertaking work regarding the Valley Centre purchase as part of her statutory duties.
- 10.3 Members discussed the report as follows:-
 - LOBO was clarified as meaning 'lenders offer, borrowers offer.'
 - It was noted that at the previous meeting, the District Auditor had hoped to be able to report on the Valley Centre, however it was noted that this piece of work was extensive and had entail instructing valuers. It was also noted that this work would incur additional costs to the Council of approximately £20k and outlined the various methods of report and options open to her, depending on her conclusion. It was noted that electors had the right to contact the Audit Commission regarding matters of concern, and the District Auditor confirmed that the Council had seen copies of both letters and she was satisfied that both complainants were valid.

Resolved:

That the report be noted.

11. ANNUAL AUDIT FEE

- 11.1 The District Auditor provided a verbal update with regards to the annual audit fee. It was noted that the Audit Commission was being abolished, with the service being privatised. It was noted that this service would subsequently be provided by Grant Thornton and that they would provide the 2012/13 audit fee.
- 11.2 Members discussed the report as follows:-
 - It was anticipated that there would be an approximate 40% reduction in the 2012/13 audit fee.
 - Members recorded their thanks to the Audit Commission for the service provided and to officers for their work on this matter.

Resolved:

1. That the report is noted.
2. That the Audit Commission are contacted and the thanks of the Committee be noted.

12. AUDIT ASSURANCE LETTERS

12.1 The Head of Finance and Property Services introduced the audit assurance letters as follows:-

- Letter from the Audit Commission
- Rossendale Borough Council's response
- The Chair's response

12.2 It was noted that this was an annual letter issued by the Audit Commission, although this was the first year that the Chair had done a separate response.

Resolved:

That the letters are noted.

The meeting commenced at 6.30pm and finished at 8.20pm

Signed (Chair)

Date