

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 19th September 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
Mrs R Lowry, Head of Internal Audit, Lancashire Audit Service
Mr A Fox, Principal Auditor, Lancashire Audit Service
Ms K Murray, District Auditor, Audit Commission
Mr T Hough, Audit Manager, Audit Commission
Ms S Iqbal, Principal Auditor, Audit Commission
Mrs J Cook, Committee Officer**

**ALSO PRESENT: Councillor D Smith, Councillor Marriott and Councillor Serridge
2 members of the public**

1. CHAIR'S INTRODUCTION

1.1 The Chair asked all members of the committee and officers to introduce themselves. It was noted that this would be Tony Hough's last committee due to his retirement. The committee thanked him for his work and wished him well for the future.

2. APOLOGIES FOR ABSENCE

2.1 Apologies had been received from Councillor De Souza.

3. MINUTES OF THE MEETING HELD ON 20TH JUNE 2012

Resolved:

The minutes of the meeting held on 20th June 2012 were agreed as a correct record.

4. URGENT ITEMS OF BUSINESS

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

5. DECLARATIONS OF INTEREST

- 5.1 Councillor Knowles declared a personal interest in item 10 on the agenda as he was a Director of Rossendale Transport, which was a Borough Council appointment.
- 5.2 Councillor Evans declared a personal interest in item 10 on the agenda as he was a member of the Lancashire County Council Pensions Committee in his capacity as a County Councillor.

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 Mr Entwistle raised concerns regarding questions asked of Senior Officers outside of this meeting and the complaints procedure. Mr Entwistle was advised to make his complaint to the Director of Business.

7. CHAIR'S UPDATE

- 7.1 The Chair confirmed that the Terms of Reference of the Audit and Accounts Committee would be amended to include a standards complaints update. The Constitution would be updated accordingly.

8. AUDIT DEVELOPMENT

- 8.1 The Chair noted that this report had arisen out of issues raised by the Vice Chair and a meeting held with the Chair, Vice-Chair, Officers and LCC Internal Audit.
- 8.2 The Principal Auditor introduced the report which outlined proposed improvements to the reporting process and the reports brought to the committee.
- 8.3 The changes were outlined as follows:-
- To improve 'signposting' of relevant issues, additional detail around risks attached to key findings, the nature of and timescales for implementing recommendations would be included in the internal audit progress reports.
 - Members would periodically receive a schedule of all recommendations made within a financial year, their relative risk rating and actions agreed. Follow-ups on those recommendations not yet implemented would be included.
 - The recent assessment of the Internal Audit Service would be shared with members.
 - The Committee were asked to consider carrying out a self-assessment

exercise in early 2013, using the self-assessment tool created by CIPFA. The last assessment was undertaken in 2009.

- The Terms of Reference of the Committee and the Internal Audit Service should be periodically refreshed and considered by the Committee at each March meeting.

8.4 Members discussed the report as follows:-

- The report was welcomed by members and it was confirmed that the current Terms of Reference were available in the Constitution.
- The follow-ups and progress reports on recommendations were welcomed.
- It was noted that these improvements would demonstrate good governance.
- It was noted that the self-assessment exercise would be built into the existing audit plan.
- It was agreed that the report detailing the status of recommendations made would begin in relation to audit reviews undertaken in the 2011/12 financial year.

Resolved:

That the recommendations outlined in Section 5 of the report be agreed.

9. INTERNAL AUDIT PROGRESS REPORT TO 31ST AUGUST 2012

9.1 The Principal Auditor outlined the report which highlighted the key issues and work undertaken by the Internal Audit Service to 31st August 2012. It was noted that due to the time of year and works undergoing, there was less to report than normal. However, the report to the March 2013 committee would be more comprehensive.

9.2 The Principal Auditor noted that no significant issues or weaknesses had arisen from the audit work undertaken during 2012/13 to date.

9.3 Members discussed the report as follows:-

- It was agreed that on 'oversight' at paragraph 1.1 on page 1 of the report could be changed to 'overview'.
- The question was raised of whether it would be useful to include totals of previous year's reviews in the regular progress reports. It was noted that this would only be helpful where reviews in particular areas were undertaken year on year. It was clarified that this comparative information was provided as part of the approval process of the annual audit plan and did not need to be included in each progress report provided to the committee. The proposed review of public consultations was discussed and it was noted that this had been suggested by the Chief Executive to ensure that they could stand up to scrutiny, although the precise scope of the work had yet to be agreed.
- Discussion took place on the proposed health and safety work and it was agreed that this was an important issue, as was the IT infrastructure issues

recently followed up. It was noted that a recommendation to enhance documentation standards through the use of Microsoft Sharepoint had not been implemented due to resource constraints.

Resolved:

That the Internal Audit Progress Report to 31st August 2012 is noted.

10. ANNUAL GOVERNANCE STATEMENT AND STATEMENT OF ACCOUNTS 2011/12

- 10.1 The Finance Manager introduced the report which sought member approval of the Audited Statement of Accounts 2011/12 following the list of amendments suggested during the audit process. These amendments were stated at Appendix 1 of the committee report.
- 10.2 The Finance Manager drew Members' attention to some minor amendments to the core financial statements arising since report was published. These included further elaboration on the policy for valuating community assets and a note about futures changes coming in the Code of Practice for 2012/13. Members' attention was also drawn to some minor typing errors that had also been amended.
- 10.3 The Finance Manager briefly outlined the main changes to the Statement of Accounts 2011/12 identified during the audit process.
- It was noted that there was no change to the Council's Income and Expenditure Statement and the General Fund Reserve remained at £953k and the total Usable Reserves remained at £8,578k.
 - Note 2 on page 33 had been expanded to include the change in valuation method for the Council's investment in Rossendale Transport Ltd. This value has now reverted to the historic value of the shares, removing the unusable Available for Sale Financial Instrument Reserve from prior year accounts. Note 22 on page 51 had been similarly amended.
 - The Group Accounts have been updated following the audit of the Transport Company's accounts.
 - There had been two minor text amendments to the Annual Governance Statement in order to incorporate recommendations by the Internal Audit Annual Report.
- 10.4 Members discussed the report as follows:-
- It was confirmed that the asset management programme was carried out on a rolling programme as noted on page 46 of the statement of accounts.
 - It was clarified that under the rules for Group Accounts, the whole of the Transport Company's operations are included at section 3.

Resolved:

That the amended Statement of Accounts 2011/12, including the Annual Governance Statement, be approved.

11. ANNUAL GOVERNANCE REPORT BY THE AUDIT COMMISSION

- 11.1 The District Auditor introduced the report which summarised the key findings from the 2011/12 audit of the accounts and the Value for Money conclusion. The work was substantially complete and the District Auditor expected to issue an unqualified audit opinion and conclude that the council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 11.2 The District Auditor noted that the amendments made to the statement of accounts were in mainly due to the inclusion of the Transport Company into the accounts.
- 11.3 An issue was identified regarding the valuation of heritage assets in the accounts. The information provided to value the assets was old. Although it still complied with the Code for accounting purposes, the District Auditor felt that an up-to-date valuation of the heritage assets should now be obtained to ensure adequate insurance cover was in place.
- 11.4 The District Auditor gave details of a review regarding the council's purchase of the Valley Centre that she had undertaken, following two written questions from the local MP and a member of the public. The District Auditor has formally written to the chief executive. Her letter had been forwarded to all elected members that afternoon. The letter stated that there was no evidence that the Council had paid more than the market value of the site. There were no issues arising from this work that impact on the governance responsibilities of the Committee as they approve the accounts.
- 11.5 Members discussed the Valley Centre as follows:-
- Discussion took place on the review of the Valley Centre purchase and a member raised concerns that this appeared to have been sent to the press before members. The District Auditor noted that nothing had been sent to the press by her.
 - It was noted that 4 valuations of the Valley Centre had been obtained by the Council. The latest of these was received on 30 August 2012.
 - The District Auditor confirmed that her letter stated that the council did not pay more for the Valley Centre than it was worth.
 - It was noted that this review had resulted in additional audit fees in the sum of approximately £20k, which included the Auditor's own valuer's fees.
 - Discussion took place on the implications of such reviews and the District Auditor clarified the procedure when questions and complaints were received

from members of the public.

Resolved:

That the report be noted.

12. EXCLUSION OF PUBLIC AND PRESS

Resolved:

That the public and press be excluded from the meeting during consideration of the following item of business on the grounds that it involved disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information) under Part 1 Paragraphs 1 - 3 of Schedule 12A to the Local Government Act 1972.

13. STANDARDS COMPLAINTS UPDATE

- 13.1 The complaints update was discussed and noted. It was agreed that the new procedure for dealing with standards complaints against councillors would be circulated to the committee members.

Resolved:

That the report is noted.

The meeting commenced at 6.30pm and finished at 8pm

Signed (Chair)

Date