

## **REPORT OF AUDIT COMMITTEE**

### **GENERAL REPORT**

1. This report summarises briefly the items considered and decisions taken by the Audit Committee at its meeting on 30 June 2010.

### **Treasury Management Annual Report for 2009/10**

2. The Audit Committee received a report of the Director of Transformation reviewing the Council's Treasury management performance in terms of its investment and borrowing activities in 2009/10.
3. An appendix to the report summarised the Council's performance during the year, which we were assured had complied with the targets, limitations and prudential indicators set by the CIPFA Prudential Code.
4. Capital expenditure has increased by £0.6m during the year, principally as a result of restructuring costs, and the report also indicated that the Council's net borrowing (ie borrowing less investments) of £1.784m at 31 March 2010 is substantially less than the Capital Financing Requirement, as required by the prudential code.
5. The report also contained an update on the Authority's efforts to secure recovery of its frozen deposits in the Icelandic Landsbanki. Whilst the forecast recovery rate continues to fluctuate, the latest forecast suggests a recovery of 95% of claims over a period up to 2018, provided that the Council's claim is afforded preferred creditor status.

### **Annual Governance Statement for 2009/10**

6. We received a report of the Head of Shared Assurance Services presenting the draft Annual Governance Statement for 2009/10, which reviews the framework in place to monitor the systems, processes, culture and values by which the Authority directs and controls its activities.
7. The Statement has been compiled after taking account of a corporate self-assessment and service assurance statements and lists a number of actions to address identified issues for inclusion in the various Directorates' Business Improvement Plans.
8. We endorsed the Governance Statement for signature by the Executive Leader and the Chief Executive in advance of its submission for external audit as part of the 2009/10 financial statements.

### **Annual Statement of Accounts for 2009/10**

9. The Audit Committee received and considered a report of the Director of Transformation seeking approval of the Statement of Accounts for 2009/10, which sets out and comments on the draft accounts for the financial year.
10. The Director and the Head of Shared Financial Services drew attention to the principal elements of the accounts and the salient issues and factors that have influenced the current financial position of the authority.
11. The financial statement reveals a net revenue underspend of £339,000 on the expected 2009/10 revenue outturn of £16,601m, which had assumed a £0.508m contribution from General Fund balances. The underspend has enabled the return to the General Fund of £0.062m after accounting for other factors, including the Icelandic impairment. The fact that

concessionary travel costs have not exceeded the original budget, as envisaged, has contributed to the underspend, along with other factors.

12. The outturn on the 2009/10 Capital Programme of £5.668m represents an underspend of £852,000 on the revised estimate of £6.520m. The re-phased expenditure will be recommended for incorporation into the 2010/11 Capital Programme.
13. The Committee acknowledged the prudent and effective management of the Authority's budget in 2009/10, which has resulted in the underspend and increase in the level of General Fund balances. The Members did, however, accept that measures will need to be taken at a national level to address the underlying deficit in the pension fund and we are, of course, cognisant of the need to maintain strict control over the authority's capital and revenue spending in the current austere financial climate.
14. Following a comprehensive debate and consideration, the Audit Committee approved the submitted Statement of Accounts for 2009/10 for submission to the external auditors.

### **Internal Audit Annual Report for 2009/10**

15. The Committee received a report of the Head of Shared Assurance Services that summarised the work undertaken by the Internal Audit Section during the 2009/10 financial year, the first full year in which the shared financial services arrangement has operated.
16. An appendix to the report scheduled the Internal Audit work undertaken during the past year, showing individual opinions on the adequacy of controls for each area examined, with a commentary on the key control issues identified.
17. The Committee was pleased to note that, after taking account of all relevant factors and judgements, in the opinion of the Internal Audit Section, the Council continues to operate within a sound control environment.

### **Code of Corporate Governance**

18. In March 2007, the Council approved a Code of Corporate Governance to define how the authority aimed to implement the provisions of the CIPFA/SOLACE framework and to comply with the six identified core principles. The code sets out a checklist of control measures in respect of each core principle which the Council are expected to have in place. The Council is also required to prepare an annual governance statement to illustrate the extent to which the authority is complying with its Code.
19. Recent CIPFA guidance recommends the revision of the Code in order to incorporate five new principles to define the role, core activities and behaviour of Chief Finance Officers in local government, and the organisational arrangements needed to support them.
20. We accepted the guidance and approved for adoption a revised Code of Corporate Governance as presented by the Head of Shared Assurance Services.

### **Compliance with International Auditing Standards**

21. The Head of Shared Assurance Services presented a report on a request from the Audit Commission for 'those charged with governance' and 'management/Section 151 Officer' to provide the Commission with assurances on a number of issues as part of its audit of the Council's 2009/10 accounts. The assurances sought were defined in letters to the Chair of the Audit Committee and the Director of Transformation via the Internal Audit Manager.
22. Having reviewed the specific information sought, the Internal Audit Section are satisfied that the Council's arrangements in place are sufficient to enable positive assurances to be given

in response to the Audit Commission's request. We, therefore, authorised the Chair of the Audit Committee and the Director of Transformation (the Council's statutory Section 151 Chief Finance Officer) to sign the assurance letters requested by the Audit Commission.

### **Audit Opinion Plan for 2009/10**

23. Our external auditors, the Audit Commission, presented its Audit Opinion Plan for 2009/10.
24. The Plan sets out the approach that will be adopted by the Audit Commission in its audit of the Council's financial statements for 2009/10. In particular, the report outlines the testing strategy and criteria that will be used by the Commission in its response to the specific opinion risks that have been identified in four risk areas.

### **Annual Audit Fee for 2010/11**

25. The Audit Committee, prior to the meeting, had been provided with a letter from the Audit Commission informing the Council of the Commission's total indicative fee for the audit work planned for 2010/11.
26. We were, however, reminded by the Engagement Lead with the Audit Commission of the Government's recent announcement of plans to abolish the Comprehensive Area Assessment regime for local authorities. This will clearly impact on the level of work undertaken by the external auditors, particularly as their assessment of authorities' use of resources and value for money conclusions will not now be required.
27. Whilst the Audit Commission's fees for its audit of the 2009/10 accounts are not expected to alter significantly in order to reflect the work already undertaken by the Commission, the Commission is currently consulting with authorities on the nature and level of future audit work that will need to be undertaken in relation to a new inspection regime. The new auditing arrangements will reduce the current estimated audit fees for 2010/11, the precise details of which will be reported to a future Audit Committee meeting.

### **Recommendation**

28. The Council is recommended to note this report.

COUNCILLOR ANTHONY GEE  
Chair of Audit Committee

There are no background papers to this report.

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