

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 2011.

Treasury Management Annual Report

2. We received and considered the report of the Director of Transformation updating on the Council's treasury management strategy. Part of the changes in the regulatory environment, concerning treasury management, are a greater onus on Members to scrutinise policy and activity.
3. The report updated on the prudential indicators. Borrowing has remained within limits and had been undertaken at the bottom of the interest curve. The funds for the Buckshaw Village Railway Station have not yet been required resulting in more cash in balances than anticipated.
4. We requested clarification on the definition of MRP and the figures showing the incremental impact of capital investment decisions on Council Tax.
5. We noted the treasury position, the positive position in relation to debtors and creditors and that investments had gained interest of 0.65% compared to a bench mark of 0.43%.
6. In relation to Icelandic banks a judgement has been delivered upholding the priority status of Local Authorities, although this is subject to further challenge in the Icelandic Supreme Court in the autumn. The book value of the investment at 31/3/11 is £1,570,000, however, the actual amount that will be received is currently expected to be £1,965,000. In response to a query officers confirmed that, technically, the Council will receive the money back with an element of interest.

Annual Governance Statement 2011

7. The Head of Shared Assurance presented a report to highlight the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an annual governance statement alongside its annual financial statements.
8. A management group has been established to oversee the compilation of the statement, which included Head of Governance (Monitoring Officer), Director of Transformation (Section 151 Officer), Head of Policy and Communications, Head of Shared Assurance Services and Internal Audit Manager.

9. We considered the draft annual governance statement which has been produced in accordance with guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
10. We requested that an electronic solution be investigated to allow the submission and display of Councillors disclosures. In response to a query officers advised that the whistle blowing policy is raised as part of staff induction, but this is an area where awareness needs to be raised with staff. The policy includes whistle blowing via an external body.
11. Clarification was given on the governance arrangements for working with Partners and that a monitoring report is presented to Executive Cabinet twice a year.

Draft Core Financial Statements 2010/11

12. We received a draft summary of the Core Financial Statements and key messages that would form part of the Council's year end Statutory Statement of Accounts (SOA) for 2010/11.
13. This is the first year these statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which is based on International Financial Reporting Standards. This resulted in some significant changes in both the approval process and format. A member learning session has been scheduled on Monday, July 4, 2011 entitled 'understanding Local Government finance' which all Members have been invited to attend.
14. We are not required to approve the SOA by 30 June before inspection by external auditors, but will give them final approval prior to 30 September as we have done previously. One of the main changes in the figures is the inclusion of an accrual for outstanding holiday entitlement. It was clarified that only 3 days could be carried over and this figure does not appear in the accounts or have an impact on Council Tax as it is 'below the line'.
15. We considered the movement in reserves and noted that the strategy to increase reserves and working balances to £2,000,000 has been achieved. An amount of slippage is always anticipated.
16. We reviewed the comprehensive income and expenditure statement and noted, firstly, the exceptional item of income of £5,580,00 which was an adjustment to the estimated pension liabilities of the Council in respect of past employment. The second major item was also pension related as the actuary had reassessed the assets and liabilities of the fund and made a net £6,100,000 reduction in liabilities. The effect of these and other pension changes is a reduction of £10,400,000 in the pension deficit.

17. The balance sheet position is positive in relation to short term debtors and creditors. Officers will confirm the performance indicator information in relation to these. In response to a query officers undertook to give detail on the reclassification of two leases as finance leases.
18. We were advised that the balance on the cash flow statement is taken on a set date and timing making the balance figure difficult to interpret.
19. We considered the collection fund account and requested a breakdown of figures by precepting authority for the debts written off. We congratulated officers on the performance for the collection of Council Tax, particularly in the current economic climate.

Internal Audit Annual Report 2010/11

20. The Head of Shared Assurance Services presented the internal audit annual report 2010/11 which summarised the work undertaken by the service during the 2010/11 financial year and gave an opinion on the adequacy and effectiveness of the control environment in the Council as a whole and in individual service areas.
21. We noted that the majority of reviews have been completed, although for Shared Services there have been 135 planned days with only 91.3 used.
22. Officers advised that the 'efficiencies' audit area has been postponed pending a new system for Value For Money conclusions being introduced. Tony Hough, Audit Commission, advised that although the Comprehensive Performance Assessment is no longer in existence the Audit Commission are still required to provide a Value For Money conclusion.
23. There is only one area with a control rating of 'limited' and actions have been put in place to resolve the issues raised.
24. In relation to Benefit fraud we queried the identified overpayment figures in percentage terms in respect of benefits and noted that recovery exercises will be carried out following investigations into each case. These have been highlighted as part of the National Fraud Initiative.
25. We discussed the method the target is selected for the percentage of the audit plan completed, currently 92%, and requested officers revisit this target. The target for customer satisfaction is high (96%) considering the nature of the service.
26. There is an issue with the number of agreed management actions implemented and the Head of Shared Assurance advised that more information on these will be provided in future.
27. We are pleased that, in the opinion of Internal Audit, the Council continue to operate within a strong control environment.

Annual Audit Fee 2010/11

28. We received a letter from the Audit Commission giving details of the annual audit fee for 2011/12. Tony Hough advised that the figures could be subject to further rebates.
29. Gary Hall advised that a letter has been sent to the Commission stating that the fees are high in the Council's opinion.

Compliance With Internal Audit Standards

30. The Head of Shared Assurance Services presented a report comprising information to enable 'those charged with governance' and 'Management/Section 151 officer' to provide the assurances being sought by the Audit Commission in respect of fraud and corruption as part of their audit of the Council's 2010/11 accounts.
31. We noted that Internal Audit, having reviewed the specific information, are satisfied that the Council's arrangements are such that positive assurances can be given in response to the Audit Commission.

Recommendation

32. 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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