

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
MONDAY, 28 SEPTEMBER, 2009 AT 4.00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK
PART 1

PRESENT: Councillors

Burnett, G. (Chairman)
 Easton, Mrs. D. M. (Vice-Chairman)

Alcott, G. Easton, R.
 Burnett, J.

Also Present: Mr. G. Patterson, District Auditor, Audit Commission
 Ms. E. Mayne, Audit Manager, Audit Committee

18. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

<u>Member</u>	<u>Nature of Interest</u>	<u>Type</u>
Burnett, G.	Member is a Trustee of the Cannock Public Recreation and Pleasure Ground Charity	Personal
Easton, Mrs. D. M.	Member is a Trustee of the Cannock Public Recreation and Pleasure Ground Charity	Personal
Easton, Mrs. D. M.	Member is eligible for Concessionary Travel	Personal
Alcott, G.	Member is a Trustee of the Cannock Public Recreation and Pleasure Ground Charity	Personal
Burnett, J.	Member is a Trustee of the Cannock Public Recreation and Pleasure Ground Charity	Personal
Easton, R.	Member is a Trustee of the Cannock Public Recreation and Pleasure Ground Charity	Personal
Easton, R.	Member is eligible for Concessionary Travel	Personal

19. Minutes

RESOLVED:

That the Minutes of the meeting held on 17 August, 2009 be approved as a correct record and signed by the Chairman.

20. (A) External Audit of the Statement of Accounts 2008/09 and Management Representation Letter

(B) Statement of Accounts 2008/09

The Head of Financial Management outlined the background to the reports and the process that the Committee needed to follow before the recommendations of the report and particularly the Management Representation Letter could be approved.

The Committee agreed to defer consideration of these items until the Report of External Audit had been discussed to enable them to make a fully informed determination.

21. External Audit: Audit Memorandum – Report to those charged with Governance (ISA 260)

Consideration was given to the External Audit Statement of Audit Progress and the Annual Governance Report.

Mr. G. Patterson, District Auditor, Audit Commission informed the Committee that the report identified the key issues that the Committee should consider before he issued his opinion on the financial statement, value for money conclusion and audit closure certificate. He reported that, subject to the satisfactory clearance of outstanding matters he intended to issue an audit report including an unqualified opinion on the financial statements.

Identified accruals within the debtor and creditor disclosures had been tested in accordance with the Audit Commission's testing strategy. The testing had not identified any areas where it was considered that the Council had made incorrect assumptions.

It was reported that the auditors were required to report all adjusted and unadjusted misstatements identified during the course of the audit, other than those of a clearly trivial nature. The definition of trivial having been revised this year and issues above £13,000 had been reported, compared with £130,000 on an equivalent basis to last year.

Appendix 2 to the report set out the misstatements identified during the course of the audit and the financial statements that had been adjusted by management. Appendix 3 identified misstatements identified that had not been adjusted and the reasons for it not being amended. Appendix 4 summarised the conclusions for the following use of resources themes which supported the Value for Money conclusion:-

- Sound and strategic financial management
- Strategic Commissioning and Good Governance
- Management of natural resources, assets and people

In relation to the Statement of Accounts Mr Patterson highlighted the following issues :

The order of the disclosure notes had been reviewed and the Audit Commission accepted that the Council had followed the order of notes in the Statement of Recommended Practice for Local Government Accounting (SORP). However, the Audit Commission considered that the order of the notes would be better for readers if they followed the order of items within the prime statements and additional notes should be placed according to their relevance and importance to the Council's activities.

It was reported that the Council had produced a deficit position on its Building Control Account for the last two financial periods, mainly due to the impact of the recession. The Audit Commission recommended that this issue be monitored.

The financial reporting standards required the Council to undertake reasonable efforts to identify and disclose related party transactions. The Council had requested that Members declare any related parties, however, not all Members acknowledged the request and therefore there were gaps in the assurances. The Council had not asked Senior Managers to declare any interests. Furthermore the Council had not reviewed its creditors to identify if any payments had been made to organisations linked to Members or Officers and this presented a weakness in the process of identifying related parties.

Members explained that they only needed to complete a further declaration form if their situation changed, if it remained the same as for the previous year there was no need for this to be done.

The Committee considered that the policy process for disclosing related party transactions should be reviewed.

It was reported that the Council's risk management arrangements had been reviewed and were considered to be adequate. The Audit Commission was satisfied that the financial risk in 2008/09 was appropriately managed and that the increasing risk in 2009/10 and beyond was properly reflected in the Council's Strategic Risk Register.

With respect to concessionary fares, the accounts included approximately £1.2m of expenditure for the scheme. The Council received monthly invoices from the various bus companies and they were processed through the purchase ledger. The County Council undertook a 'mystery shopper' type exercise on behalf of all District Councils in the Staffordshire area which provided some assurance over the journeys claimed by the operators.

The Audit Commission had not been able to identify how the Council could obtain assurance that they were paying the correct amount for this service.

Members expressed concern over the level of checking that could be carried out and that the process for checking the accuracy of the concessionary fare invoices should be reviewed.

It was reported that the Council held two separate fixed asset registers, one for vehicles, plant and equipment and the other for all other assets. The Audit Commission considered that the Council would need to revisit the valuations, categorisations etc., of all its assets prior to the introduction of International Financial Reporting Standards (IFRS) accounting.

The Council revalued 1/5th of its asset base each financial year on a rolling programme. In 2008/09 it was agreed that due to the economic downturn, in addition to the 1/5th of assets it would consider the asset base as a whole and revalue any assets where there was a risk of impairment. Prior to the introduction of IFRS accounting, the Council was undertaking a full revaluation of its assets in 2009/10.

The Committee was informed that the year end reconciliation of the housing revenue control account to the general ledger supported the income and expenditure going through the housing benefits system and that this was accurately recorded in the financial statements. The Audit Commission had carried out additional testing of the key figures within the housing benefit grant claim to ensure that figures within the claim which had been taken from the system reconciled to the general ledger and no issues were identified. It was considered that the reconciliation should be undertaken next year to ensure that the figures were accurately reported.

Concern was raised relating to the overspend at the Chase Leisure Centre and problems relating to timesheets. It was explained that Internal Audit had already undertaken a review of the timesheets process and would be following up the implementation of the audit recommendation later this year. The outcome of the follow-up audit would be reported back to the Committee in due course.

The Committee was then asked to review the unadjusted items to determine if the Management Letter could be approved.

RESOLVED:

That:-

- (A) The contents of the Report of the External Auditors be noted.
- (B) The uncorrected audit differences identified by the audit of the financial statements be noted and that the "Reason for non-adjustment" as detailed by the Head of Financial Management be endorsed.
- (C) The policy process for disclosing related party transactions be reviewed.
- (D) The process for checking the accuracy of concessionary fare invoices be reviewed.
- (E) That the outcome of the follow-up audit be reported to the Committee.

22. External Audit of the Statement of Accounts 2008/09 and Management Representation Letter

Consideration was given to the report of the Head of Financial Management (Enclosure 4.1 – 4.7 of the Official Minutes of the Council).

The Committee having noted elsewhere on the agenda the following additional items:-

- ISA 260 – External Auditors Report
- Statement of Accounts 2008-09

RESOLVED:

- (A) That the contents of the Report be noted.
- (B) That the Management Representation Letter of the Responsible Financial Officer be approved.

23. Statement of Accounts 2008/09

Consideration was given to the report of the Head of Financial Management (Enclosure 5.1 – 5.5 of the Official Minutes of the Council) and to the Supplementary Report.

It was reported that the audited statement of accounts, including the Auditor's opinion, would be considered by Council at its meeting on 30 September 2009.

RESOLVED:

That:-

- (A) The changes made to the Statement of Accounts for the year ended 31 March 2009 be noted.
- (B) The contents of the audited statement of accounts for the year ended 31 March 2009 be noted.

CHAIRMAN