

Minutes of: AUDIT COMMITTEE

Date of Meeting: 15 July 2014

Present: Councillor E Fitzgerald (in the Chair)
Councillors M Bailey, P Bury, P Heneghan, Mallon,
S Nuttall, N Parnell, K Rothwell and R Walker

**Also in
attendance:** Jillian Burrows - KPMG
Trevor Rees – KPMG

**Public
Attendance:** No members of the public were present at the
meeting.

**Apologies for
Absence:** Councillor Whitby

AU.122 DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

AU.123 MINUTES OF THE LAST MEETING

Delegated decision:

That the Minutes of the last meeting of the Audit Committee held on 3 March 2014 be approved as a correct record and signed by the Chair.

AU.124 PUBLIC QUESTION TIME

There were no members of the public present to ask questions under this item.

AU.125 AUDITED STATEMENT OF ACCOUNTS 2013/2014

The Assistant Director of Resources (Finance and Efficiency) presented a report providing Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2014.

The pre-audited Statement of Accounts had been approved by the Responsible Finance Officer on 5 June 2014. The accounts had since been audited and Members of the Audit Committee noted that:-

- Only one audit adjustment had been identified that was presentational and did not have an impact on the Council's revenue, capital or HRA outturn for 2013/2014;

- Two other audit adjustments had been identified that do not require correcting due to the immaterial impact on the accounts;
- Six recommendations had been made. The auditors had classed two as high priority, one as medium and three as low. Actions were being taken to address these;
- The quality of the Council's accounts and working papers have remained at a high level;
- For the first year the Council has presented its audited accounts to Members 2 ½ months earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;
- A notice will be placed advertising the completion of the audit and how member of the public may access copies of the statement and the summary of accounts.

Those present were given the opportunity to make comments and ask questions and the following points were raised:-

- Councillor Heneghan referred to the changes in the way that business rates are collected and distributed and asked whether the Council was better or worse off than previous years.

Steve explained that the Council had received a top up payment that had brought the level of income back up to where it had been in previous years. He also explained that the new way of collecting and distributing meant that the risk had been transferred to the Council should local businesses fail and business rates not be available. Likewise the Council now has to fund 50% of the impact of appeals.

- Council Mallon referred to the significant recommendation in relation to classification of assets under construction and asked at what point did as asset under construction become operational.

Trevor Rees explained that this was still a grey area but for audit purposes it would usually be when the building became habitable.

Steve explained that the Council was working to produce a policy to cover these sorts of situations and that they would be working to agree this with KPMG for future audits.

- Councillor Parnell asked about the Housing Revenue Account and whether surplus monies collected were ring-fenced to the housing stock and, if so what was this was used for.

Steve explained that the HRA was a ring-fenced account and that any surplus monies could only be spent in respect of Council Housing. A Housing Strategy had been approved by the Council in February which identified additional investment to bring stock up to the "Bury Standard" (ie 100% decency).

- Councillor Heneghan referred to the revenue support grant reducing and asked whether this raised the emphasis on council tax.

Steve explained that the balance of funding was shifting; away from Grant, and towards Local Taxation.

- Councillor Parnell referred to the changes to Council Tax support.

Steve explained the changes that had been introduced and the reduced level of funding available. It was explained that additional tax had been raised through second and empty homes to compensate for this.

- A question was asked around the amount of debt compared to the previous year and the fact that this figure had risen.

Steve explained that at the end of 2013 the Council had repaid £7.5m worth of loans, and these were not replaced until later in 2014. The cost of servicing the new loans was also less than the repaid ones.

- Councillor Walker referred to specific figures within the Income & Expenditure Statement for Adult Care Services income, and queried why this had reduced.

Further analysis to be provided after the meeting.

- Councillor Walker also asked about the funding that had been transferred to the Council when the Public Health responsibility had transferred and asked whether this was working well.

Steve explained that there was £8m transferred with the Public Health responsibility of which around £1m would be staffing, the rest was tied up with other contracts and services. These would have been NHS contracts which the Council were now going through systematically as they came up for renewal.

- Councillor Mallon referred to the balance sheet and the figures presented in relation to Townside Fields and asked why there was a drop in this figure.

Steve explained that one of the two buildings owned by the Council had been sold and the Council had retained the other.

- Councillor Heneghan referred to property and land owned by the Council and asked where happened to a school's land and buildings when it became an academy.

It was explained that the asset would still belong to the Council and would be rented back to the school for a peppercorn rent.

- Councillor Walker asked about the calculation that was used when working out depreciation and how some assets had between 8 and 68 years recorded.

It was explained that the assets were broken down into different components, some would last longer than others, so a boiler may have 15 years and windows 25 years.

- Councillor Mallon asked about the Council owned artworks and whether the Council loaned out its artworks and if so how were they insured when this happened.

Steve explained that a lot of the Council owned art was loaned and when it was under a loan agreement it was up to the organisation borrowing it to ensure that it was kept in the correct conditions and insured satisfactorily.

Delegated decision:

1. That the one presentational amendment to the Accounts recommended by KPMG be approved.
2. That the final version of the Statement of Accounts for the 2013/2014 financial year be approved in line with the provisions of the Accounts and Audit Regulations (England) 2011.
3. That the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement Report presented by KPMG be noted.
4. That the letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) which was presented at the meeting be approved.
5. That KPMG be thanked for their support and advice during the audit process.

AU.126 ISA 260 2013-14

Jillian Burrows and Trevor Rees, representing KPMG, the Council's External Auditors, presented a report summarising the key findings from their work

in relation to the financial statements for the year ending 31 March 2014 and their assessment of the Authority's arrangements to secure Value for Money in its use of resources.

It was explained that KPMG had substantially completed their work on the 2013/2014 financial statements and it was anticipated that an unqualified audit opinion would be issued by the 31 July 2014.

The Assistant Director of Resources (Finance and Efficiency) presented the Letter of Representation which had been signed by him and the Chair of the Audit Committee, Councillor Elizabeth FitzGerald to KPMG which was required before the audit opinion could be issued.

Delegated decision:

1. That the findings of the report be accepted.

AU.127 ANNUAL GOVERNANCE STATEMENT

The Head of Financial Management, Andrew Baldwin, presented a report introducing the Annual Governance Statement.

It was explained that under the Accounts and Audit (England) Regulations 2011, the Council is required to produce an Annual Governance Statement which is one of the documents that supports the annual Statement of Accounts.

The Annual Governance Statement provides an assurance that the Governance Framework is operating effectively and reports any significant issues arising during the year. The Governance Framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

It was explained that it was a legal requirement for every Council to produce an annual statement; Bury produced a quarterly report in line with best practice.

Members of the Committee were given the opportunity to ask questions and make comments and the following points were raised:-

- Councillor Walker referred to the table showing that Bury Adult Care Services spend per head was in the top 10% and asked if this statistic could be shown differently to allow for more understanding as to why this was.
- Councillor Bailey referred to the number of Council employees taking early retirement or severance and asked if there was a risk to the organisational capacity.

Steve explained the way in which each case was decided and the fact that a robust business case had to be provided to support every application made.

- Councillor FitzGerald referred to the information provided within the report and asked that this be presented to the Committee in a different way and with more demographical information so that it was easier to see exactly how the Council was performing.

This is to be worked up for the December meeting.

- The Committee asked that information be provided specifically in relation to the ACS spend per head statistic and the background to this statistic.

This will be reported back at the September meeting.

Delegated decision:

1. That the Annual Governance Statement 2013/2014 be accepted.
2. That future reports contain more in-depth information and statistics in the areas that have been highlighted by the Committee.

AU.128 RISK MANAGEMENT ANNUAL REPORT 2013/2014

Steve Kenyon presented a report providing Members with details of risk management activity that had taken place over the previous 12 months.

The report outlined the risk management policies and practices in place and highlighted the key issues that would be addressed during the coming financial year.

The report explained how risk management was implemented across the Council and within each of the directorates.

It was explained that Risk Assessment Action Plan Registers (RAAP's) were used across departments to record identified risks and opportunities and the actions being taken. The Council's risk management framework was outlined within the report and each of the department's progress against the risks was set out.

It was explained that as well as the department RAAP's there was the also Corporate RAAP which records the council's most significant risks. The Corporate RAAP is reviewed continually by the Management Board.

Member input was sought via the Corporate Risk Management Group and quarterly reports to the Audit Committee.

Delegated Decision:

1. That the Audit Committee re-affirms its support for the Council's approach to Risk Management.
2. That the progress made throughout 2013/2014 and the actions planned for 2014/2015 be noted.

AU.129 INTERNAL AUDIT ANNUAL REPORT

The Head of Financial Management, Andrew Baldwin, presented a report summarising the work undertaken by the Internal Audit Section during the 2013/2014 financial year. The report contained an Audit Opinion which assessed the authority control framework as "robust" and updated the Members on some of the issues facing the Internal Audit Service.

Appended to the report was a Review of the Effectiveness of Internal Audit and the Annual Report and Opinion for 2013/2014

Delegated decision:

1. That the contents of the report be accepted
2. That the suitability of the report be endorsed in support of the Governance Statement for 2013/2014.

AU.130 EXCLUSION OF PRESS AND PUBLIC

Delegated decision:

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business since they involved the likely disclosure of exempt information, relating to any action taken, or to be taken in connection with the prevention, investigation and prosecution of crime.

AU.131 REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2013/2014

Andrew Baldwin, Head of Financial Management, submitted a report summarising the work carried out by the Audit Committee over the 2013/2014 Municipal Year which showed the effectiveness of the Committee. Included in the report was a self-assessment checklist which demonstrated that CIPFA guidance had been complied with.

The future meetings of the Audit Committee were set out within the report and the proposed items to be considered at those meetings was also set out.

It was anticipated that the training sessions at the beginning of each meeting would include:-

- Departmental Review of Contracts;
- How Value for Money is reported, and;
- Heritage Assets

Members were asked to consider any other topics that they would like the Audit Committee to consider.

Delegated decision:

That the report be accepted.

COUNCILLOR E FITZGERALD
Chair

(Note: The meeting started at 7.00 pm and ended at 9.50 pm)