

FINANCE AND AUDIT SCRUTINY PANEL

29 MARCH 2011

Present :- Councillor Dennis Willetts (Chairman)
Councillors Christopher Arnold, Nick Cope,
Scott Greenhill, Sue Lissimore, Jon Manning,
Kim Naish, Gerard Oxford and Colin Sykes

Also in Attendance :- Councillor Paul Smith

61. Minutes

The minutes of the meeting held on 22 February 2011 were confirmed as a correct record.

62. Audit Opinion Plan 2010-11

Ms. Connolly, Senior Audit Manager and Appointed Audit, Audit Commission, attended the meeting for this item, and introduced the Audit Opinion Plan 2010-11, a report setting out the work proposed by the Audit Commission for the audit of financial statements and in relation to the Audit Fee reported to the Panel in 2010.

Ms. Connolly said nothing has changed significantly in terms of audit fee risk, and following the abolition of Comprehensive Area Assessment and the potential abolition of the Audit Commission. The fee is now settled at £119,149, a reduction of £20,401 on the fee as indicated in 2010.

It was confirmed that at Colchester is progressing well in respect of IFRS (International Financial Reporting Standards) and restatement and implementation, accredited with a green rating, only achieved by thirty six percent of local authorities nationally.

In response to Councillor Manning, Ms. Connolly said the five percent reduction in the audit fee reflected the Audit Commission's feeling that the level of risk in relation to the audit of accounts was consistent with 2009-10.

RESOLVED that the Panel commented on and noted Audit Opinion Plan 2010-11.

63. 2009-10 Certification of Claims and Returns Annual Report

Ms. Connolly presented the Certification of Claims and Returns Annual Report.

The report gave an assessment by the Audit Commission on the way the Council manages claiming grant-paying money, an amount totalling £63,300,000 per annum. The report summarised the findings for 2009-10. Ms. Connolly said the Council's performance in relation to grant claims had improved, reflected in a reduction in the fees charged.

However, one claim, The Housing Revenue Account subsidy base data return remains qualified due to further improvements needed. The qualification was due to there being no full audit trail to support the analysis of usable floor areas for pre-1945 and 1945-1964 large and small terraced houses, as required by the Certification Instruction. It was however stated that the data required, evidence to support that a property is a certain size, was building up towards being fully compliant.

RESOLVED that the Panel noted the 2009-10 Certificate of Claims and Returns Annual report, and thanked Ms. Connolly for attending the meeting and presenting the Audit Commission reports.

64. Annual Governance Statement briefing paper

Ms. Elfreda Walker, Finance Manager attended the meeting for this item and presented the report on the Annual Governance Statement briefing paper, setting out the role of Accounts and Regulatory Committee in the process and an opportunity to highlight any governance issues.

Ms. Walker explained the CIPFA/SOLACE guidance on corporate governance, described what the statement is and what it should include, and informed the Panel of the suggested process set-out in the table in paragraph 6 of the report.

In response to Councillor Willetts, Ms. Walker said the table setting out the process would address the follow-up on previous year's recommendations.

RESOLVED that the Panel noted the role of the Accounts and Regulatory Committee in producing the Annual Governance Statement.

Councillor Kim Naish (in respect of being a member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

Councillor Colin Sykes (in respect of his spouse being a member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

65. 2010-11 Internal Audit Monitor, period April to December.

Ms. Elfreda Walker, Finance Manager and Mr. Alan Woodhead, Deloitte, both attended the meeting for this item.

Ms. Walker presented the report on the 2011 Internal Audit Assurance quarter three report, drawing members' attention to appendix 1 of the report, highlighting the Internal Audit Work Programme for 2011-12.

Of the sixteen completed audits shown in appendix 2 of the report, Ms. Walker said three audits had received an increased assurance rating compared to the last audit.

In regards to the internal audit provider, Ms. Walker said the auditor's performance was successfully meeting or exceeding the standards set.

In response to Councillor Willetts, Ms. Walker said whilst the overall number of days of auditing within the 2011-12 work programme had been reduced to 360, providing savings of £20,000, the Corporate and Service Risk Registers, and discussions with Heads of Service to determine their key risks and challenges, together with the assurances given from the internal auditor confirmed that the controls required to manage the risks within the new work programme are in place and are being applied consistently. Mr. Woodhead said the work programme did provide sufficient audit coverage to give the appropriate assurances, but should the situation change, this would be reported to the Panel.

Councillor Arnold and Councillor Manning sought clarification on the loan of cash for lockers at Leisure World. Mr Woodhead confirmed that the recommendation had been implemented and the practice has now ceased.

In regards to the Performance Management audit, Ms. Walker responded to Councillor Willetts saying the outcomes from the audit and any subsequent proposed guidance would be reviewed before endorsing and implementing. It was pointed out that regular one to one meetings between managers and staff under their supervision was not an absolute requirement, though actively encouraged where appropriate.

Responding to Councillor Manning about the Debtors audit, Ms. Walker said the key outcome "it is recommended that a systematic process of review for policy and procedures be implemented, including procedures for version control" meant each procedure should have a control, but the priority three rating suggested there was not a major issue.

Ms. Walker confirmed to Councillor Arnold that the audit of the Windows Operating System was due to be followed-up in April 2011, which will determine whether the outstanding recommendations have been implemented, and this will be reported to the Panel at the next reporting stage. Ms. Wain, Executive Director explained that further internal reviews of the Council's operating systems was underway, to ensure they are robust. Given that the Council business was more reliant on these systems than ever before, it was appropriate that a high level of audit days was given to this work.

RESOLVED that the Panel commented on and noted the 2011-12 Internal Audit Work Programme, the third quarter 2010-11 internal audit activity, the performance of internal audit by reference to national best practice benchmarks, and the status of outstanding recommendations.

66. International Financial Reporting Standards

Mr. Steve Heath, Finance Manager, presented the report on the Implementation of

International Financial Reporting Standards (IFRS). Mr. Heath said the main purpose of the report was to outline the changes to the accounts as a result of the said implementation.

Mr. Heath reminded the Panel that they were informed of the adoption of IFRS in 2009 and 2010-11 was the first year that the accounts were required to be IFRS compliant, with the Audit Commission acknowledging the proactive approach that has been adopted with the implementation.

Notification of the draft accounts therefore would be at a later date, either in the form of a presentation to the Accounts and Regulatory Committee or an internal briefing session, provided Members are informed and given the opportunity to consider a full set of accounts in detail.

A fully coded compliant statement of accounts is no longer required for the two Joint Committees, however a return will need to be presented to the Committees for approval by 30 June.

A fully code compliant statement of accounts is no longer required for the two Joint Committees, however a return will need to be presented to the Committees for approval by 30 June.

Councillor Willetts said it should not be underestimated; the amount of time spent by officers in producing the Council's accounts, and with limited resources, and thanked officers for their dedicated hard work. Councillor Manning in concurring with the comments of Councillor Willetts said the staff remained a most valuable asset.

RESOLVED that the Panel noted the progress made with implementation of IFRS and the resulting changes to the accounts, and noted the potential changes to processes resulting from proposed changes to the Accounts and Audit Regulations.

The Head of Resource Management

Councillor Willetts paid tribute to Mr. Charles Warboys, Head of Resource Management and Section 151 Officer who will be leaving the Council on 17 June 2011, having secured another job as Assistant Director, Finance with Central Bedfordshire Council. Councillor Willetts thanked Charles for his hard work and support to Members which had been to the benefit of the Council, and wished him well in his new role.

Mr. Warboys conveyed appreciation for Councillor Willett's words and paid tribute to his officers for supporting him admirably over the last four years.