



Audit & Governance

Committee

18th April 2011

Present:

Councillor Bill Hartnett (Chair), Councillor Robin King (Vice-Chair) and Councillors Peter Anderson, Michael Braley, Andrew Brazier and Malcolm Hall

Also Present:

David Evans (Audit Commission)

Officers:

A Bromage (Worcestershire Internal Audit Shared Service Manager), B Haycock, S Morgan, T Kristunas, S Morgan and J Pickering

Committee Services Officer:

D Sunman

The Committee noted that Bob Haycock, Internal Audit Manager, would be retiring at the end of May 2011.

Members thanked Mr Haycock for his loyal service to Redditch Borough Council and wished him well for his retirement

34. APOLOGIES

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Members thanked Mr Haycock for his loyal service to Redditch Borough Council and wished him well for his retirement

There were no apologies for absence.

35. DECLARATIONS OF INTEREST

There were no declarations of interest.

36. MINUTES

Members were advised that in respect of Minute Item 32 (Treasury Management Strategy) the wording attached to the agenda was

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Chair

incorrect in that the item was not resolved but, rather the matter was recommended to Council on 7th February where it was agreed.

The version forwarded to Council in February and that to be signed this evening by the Chair as a proper record both contain the correct wording (as set out below).

'RECOMMENDED that

subject to the comments in the preamble, above, the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy for 2011/12 be approved.'

RESOLVED that

the minutes of the meeting of the Committee held on 24th January 2011, as amended, be confirmed as a correct record and signed by the Chair.

37. EXTERNAL AUDIT - CERTIFICATION OF GRANTS 2009/10

The Committee received and considered the annual Certification of Claims and Returns report 2009/10 as prepared by the Council's external auditors.

Members were informed that a significant amount, over £25 million, of the Council's annual income is received in grants from central government departments. The grant-paying departments attach conditions to the grants and the Council must evidence that the conditions have been met otherwise the funding could be at risk.

In 2009/10 the external auditors certified 6 claims and carried out a limited review of 5 of these and a full review of 1 claim. Qualification letters were issued for 2 claims.

The fees charged by the external auditors for the grant certification work amounted to £49,200.

RESOLVED that

- 1) the report be approved;**
- 2) the Worcestershire Internal Audit Shared Service Manager raise the issue of the fees charged for grant certification work at other Audit Committees in the county; and**

RECOMMENDED that

- 3) **full Council make representations to central government regarding the high fees charged for this work.**

38. EXTERNAL AUDIT - AUDIT PLAN 2010/11

The Committee received and considered the Audit Plan, as prepared by the Council's external auditors, which set out the work that had been proposed for the audit of financial statements and the value for money conclusion 2010/11.

Members were informed that a risk based approach would be used in the audit of accounts and would include:

- identifying the business risks facing the Council, including an assessment of internal risk management arrangements;
- considering the financial performance of the Council;
- assessing internal control – including a review of the control environment; the IT control environment and Internal Audit; and
- assessing the risk of material misstatement arising from activities and controls within the Council information systems.

Two additional specific risks had been identified for inclusion in the audit:

- implementation of International Financial Reporting Standards, which would affect the accounting policies of the Council; and
- the continuing shared services programme resulting in increased joint services.

The Value for Money (VFM) conclusion would be based on the Council's arrangements to secure economy, efficiency and effectiveness. A specific VFM risk had been identified for the Council about the pressure on its finances whilst implementing a substantial shared services and transformation programme.

The Council would be required to prepare financial statements by 30th June 2011. The external auditors would be required to complete the audit and issue the opinion and VFM conclusion by 30th September 2011.

Members were informed that there had been a reduction in the fee for the 2010/11, £125,842 compared to the fee for the previous year.

RESOLVED

that the report be noted.

39. INTERNAL AUDIT - ANNUAL AUDIT PLAN 2011/12

The Committee received and considered a report outlining the programme of work for Internal Audit at Redditch Borough Council for 2011/12.

Members were informed that the plan had been based on a risk assessment of the services provided by the Council, the requirement to provide assurance on all the Council's key financial systems and the audit resources available to undertake the plan of work.

Officers reported that the success of the Internal Audit Shared Service completing the programme would be determined by a set of Key Performance Indicators (KPIs), which would be reported quarterly to the Audit & Governance Committee.

Members suggested that it might be useful to add an additional KPI to monitor and follow up actions identified in audits.

RESOLVED that

- 1) the Internal Audit Operational Plan for 2011/12, attached at Appendix A of the report, be approved;**
- 2) the Internal Audit Shared Service's set of Key Performance Indicators, attached at Appendix B to the report, be approved.**

40. INTERNAL AUDIT - OUT-TURN STATEMENT FOR THE PERIOD 1ST APRIL 2010 TO 28TH FEBRUARY 2011

Officers provided an update on progress of the internal audit team against the revised programme of planned work for 2010/11.

Members were informed that the out-turn figures as at 28th February 2011 indicated that the revised plan of audit work for 2010/11 would be substantially completed by 31st March 2011 with the exception of follow up work on recommendations from previous audit reports.

RESOLVED that

the report be noted.

41. INTERNAL AUDIT - PROGRESS REPORT

The Committee considered an update to Members regarding audits completed in the period November 2010 to 28th February 2011.

Members expressed concern at the lack of updates from Heads of Service regarding outstanding actions on key recommendations identified in internal audit reports. The Head of Finance and Resources was asked to provide a report on the options for the Market Service Income Recording System and an update on the Stores Audit to the next meeting of this Committee.

RESOLVED that

- 1) the report be noted;**
- 2) 'Future Audit Reporting Arrangements' be added as a topic to the Member Development Programme;**
- 3) a report on the Market Service Income Recording System and an update on the Stores Audit be prepared for the next meeting; and**

RECOMMENDED that

- 4) Heads of Service be reminded of the importance of timely update reports being made to the Audit & Governance Committee on outstanding key recommendations from internal audit reports.**

42. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) UPDATE AND DRAFT ACCOUNTING STANDARDS

The Committee received and considered a report on the progress of implementing the new International Financial Reporting Standards (IFRS) and requesting approval for the proposed draft Accounting Standards as attached at Appendix A of the report.

Officers had identified the following changes:

Audit & Governance

Committee

18th April 2011

Significant differences	Some differences	No significant differences
Fixed assets	Related Party Disclosures	Stocks
Leases	Impairments	Provisions
Employee benefits	Intangible assets	Financial instruments
Accounting for government grants	Investment properties	
Format of Statements of Accounts	Disclosures generally	
	Definition of cash	

Members were informed that accounting statements would be presented differently. The new statements and their old equivalents were reported as follows:

<u>Old</u>	<u>New</u>
Statement of Movement in GF Balances	Movement in Reserves Statement
Income and Expenditure Account & + Statement of Recognised Gains and losses	Comprehensive Income Expenditure Account
Balance Sheet	Balance Sheet
Cash Flow Statement	Cash Flow Statement
Notes to Accounts	Notes to Accounts

RESOLVED that

- 1) the current position with regard to the implementation of IFRS be noted;
- 2) the draft Accounting Standards be approved;
- 3) the new IFRS be added to the Member Development Programme to be run in conjunction with training recommended in Minute 41 above.

43. REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE - CHAIR'S REPORT

The Chair gave his end of municipal year report on the Effectiveness of the Audit and Governance Committee.

Members were informed that the meeting of the Committee in June 2010 had considered the 2009/10 final accounts which were unqualified and had been presented within the deadline and met Audit Commission requirements. He reported that the legislation on presenting the accounts for 2010/11 to a Member Committee had changed and the accounts would be formally presented after the external auditors had completed all of their work and assessment of the Accounts, this would be in September not June. The S151 Officer would be required to sign off the Accounts in June.

Members were informed that the Worcestershire Internal Audit Shared Service arrangement commenced in June 2010. There had been no real impact of change from this arrangement until the Worcestershire Internal Audit Shared Service Manager started in November 2010 and had outlined her proposals on saving the Council 25% of costs. However, she had assured the Committee that the internal control arrangements would be as robust as previously but teams would work in a more streamlined way using electronic reporting and focusing on those areas which might result in a higher risk to the Council.

The Committee had reviewed a considerable number of Audit report recommendations and had noted that the Officers across the Council had aimed to action these recommendations within a reasonable time to minimise any risk to the Council.

The Audit Commission had been invited and attended all meetings of the Committee in order to develop a good working relationship and have presented a number of reports advising Members on how the financial and internal control arrangements are being effectively delivered at the Council.

RESOLVED that

the report be noted.

Audit & Governance

Committee

18th April 2011

44. COMMITTEE WORK PROGRAMME 2010/12

Members considered the Audit & Governance Committee's Work Programme, 2010/12.

RESOLVED that

- 1) the report be noted;**
- 2) the meeting of the Committee scheduled for 20th June 2011 be cancelled; and**
- 3) 'Best Practice for Audit & Governance Committees' be added as a topic to the Member Development Programme with the speaker being invited from another authority to give an insight into the operation of their Audit & Governance Committee.**

The Meeting commenced at 7.00pm
and closed at 8.56pm

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Chair