

AUDIT COMMITTEE

15th September, 2009

PRESENT:- Councillor Chilver (Chairman); Councillors Isham (Vice Chairman), Mrs Mallard, Mills and Ralph. Councillor N Blake attended also as an ex-Officio Member.

APOLOGIES: Councillor Cadd, Kennell, Mrs Morgan-Owen and Mrs Rowlands.

1. MINUTES

RESOLVED –

That the Minutes of 29th June, 2009 be approved as a correct record.

2. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT FOR 2008-09

The Committee received the final version of the 2008/09 Annual Governance Report that summarised the findings from the 2008/09 audit which was substantially complete. It included the messages arising from the external audit work undertaken on the Council's financial statements and the results of the work undertaken to assess how well AVDC used and managed its resources to deliver value for money, and better and sustainable outcomes for local people. The key messages were:-

- Audit opinion – that, subject to satisfactory clearance of outstanding matters, the external auditors planned to issue an audit report including an unqualified opinion on the financial statements.
- Financial statements – that the arrangements for the management and monitoring of the opinion audit this year had been much improved and this had enabled better control to be maintained over the process.
- Use of Resources – that the external auditors intended to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Members were informed that, subject to satisfactory clearance, the council had been assessed with an overall Use of Resources (UoR) score for 2008/09 of 2. The UoR score was a good result for the council as a new and harder methodology for assessing UoR had been introduced this year. The Council had made good progress in all of the areas reviewed and was well placed to show further improvements in the 2009/10 UoR assessment. Members were also informed that the self-assessment document and accompanying case studies provided had been excellent and had been shared widely with other Councils as an example of good practice.

Members noted the adjusted amendments made to the accounts as detailed at Appendix 2 of the Committee report and commented on the following details of the financial statements:-

- (i) the Committee supported the decision not to include £6.5m of non-operational land in the desktop impairment exercise that had been undertaken in March 2009.
- (ii) that the Creditors Note to the final statements should be revised to reflect the changes discussed at the meeting.
- (iii) that they were satisfied for the expenditure to date of £3.2m on the Waterside project to be carried over to 2009/10, with relevant accounting entries then being made after the planning application for the project had been decided.
- (iv) that the impairment estimates for the recovery of monies invested with Icelandic banks should remain unchanged.
- (v) that the reasons for not making adjustments on issues highlighted by the external auditors should be included in the final letter of representation.

Members also commented that they were satisfied that recent information circulated by the Head of Finance to all Audit Committee Members and to the external auditors explained how Members of this Committee exercised oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council. This information had also explained how Members of this Committee gained an assurance that all relevant laws and regulations had been complied with.

Members sought and were provided with additional information on the following:-

- (a) Members were informed that the Cabinet Member for Resources was currently undertaking a review looking into the nature and basis of all reserves held by the Council.
- (b) on the material variations that had occurred between the desktop impairment review of assets in March 2009 and the physical inspection by the Valuation Office in February 2009.

RESOLVED –

- (1) That the contents of the report be noted.
- (2) That the format of the draft letter of representation be approved, and to include adding the reasons for not making adjustments on issues highlighted by the external auditors.

3. ADOPTION AND APPROVAL OF FINAL ACCOUNTS

The draft accounts and the final outturn position for the financial year that ended on 31st March, 2009 had been submitted to the Committee's June meeting and been approved for inspection by the External Auditors.

The Committee received a report updating it on the progress in terms of adopting, approving and sign off of the final accounts for 2008/09. While the Committee had delegated authority to the Head of Finance, in consultation with the Audit Committee Chairman, to make any minor changes prior to the 30th June, 2009 deadline that might be necessary to the Cash Flow Statement no changes had needed to be made.

The external auditors had already set out their findings on the audit of the final accounts in the annual governance report that had been submitted to the meeting. The minor changes identified by the Auditors as part of the review process had been amended with the Accounts and a revised version was attached as Appendix 2 to the Committee report. Members were informed of the following changes that also needed to be made to the final financial statements:-

- (i) page 18 (bottom) – that the figures relating to Contributions to Capital Reserves be transposed, and should read
Capital Reserves £2,797,000
Capital Receipts Unapplied Account £945,000
- (ii) page 37 – Aylesbury Vale Property Investment Portfolio (AVPIP) name had been changed to Aylesbury Vale Estates (AVE).
- (iii) Creditors Note – to be revised to reflect the changes discussed at this meeting.

Members commented that the Council's officers were to be congratulated for the much improved arrangements that had been put in place for preparing this year's financial statements.

RESOLVED –

- (1) That the changes made to the Council's final Statement of Accounts for the financial year 2008/09 be noted.
- (2) That the final accounts for AVDC for the financial year 2008/09 be adopted and approved in light of the additional changes agreed at this meeting and those requested by the external auditors, in consultation with the Chairman.

4. EXTERNAL AUDIT CAPITAL PROGRAMME AND PROJECT MANAGEMENT REPORT

The Committee received a report following the external auditors' review of the arrangements at AVDC for managing the capital programme and major projects which had sought assurance that:-

- the Council's wider management of its capital programme was adequate; and
- the internal resources and expertise needed to manage the size and complexity of the current capital programme were available.

The conclusions reached by the Audit Commission as detailed in the audit report stated that the Council had introduced new capital programme and performance management arrangements which were sound.

Members sought and were provided with additional information on the following:-

- (i) on the office move from Friars Square to The Gateway, although this had not been included within the remit of this review.
- (ii) on the current position of the Waterside redevelopment project, in particular relating to the risk of securing vacant possession at Waterside.
- (iii) on how the 25 percent increase in the estimated construction cost of the theatre project was being actively managed.
- (iv) on the frequency with which the Council's capital programme was reviewed.

RESOLVED –

That the report be noted.

5. EXTERNAL AUDIT UPDATE AND PROGRESS REPORT

The Committee received a report informing it:-

- (i) that work on all aspects of the External Audit work programme for 2007/08 had now been completed and were detailed at Appendix 1 to the Committee report.
- (ii) on progress made on the External Audit work programme for 2008/09, detailed at Appendix 2 to the Committee report.
- (iii) of the requirements that the Audit Commission had to satisfy itself of relating to understanding how those charged with governance:-
 - exercised oversight of management's processes for identifying and responding to risks of fraud and breach in internal control.
 - gained assurance that all relevant laws and regulations had been complied with.
 - gained assurance that the audited body was a going concern.

As agreed at the June meeting, a response to the issued detailed at (iii) was considered at this meeting.

Members were also informed that reviews on the Buckinghamshire Pathfinder project and Buckinghamshire Health Inequality phase 2 review among public sector partners had been completed and the findings discussed with the relevant organisations within Buckinghamshire.

Members confirmed that they would like to receive information on the review on Buckinghamshire's health inequalities to a future meeting. The Committee also confirmed that it had now submitted information in support of the queries raised by the external auditor's relating to how Audit Committee Members

gained an assurance on management's processes for identifying and reporting risk and fraud, and possible breaches of internal control in the Council.

The Committee sought and were provided with additional information on the work that was being done on 'managing performance against priorities' and on the Comprehensive Area Assessment, which were due to be reported publicly in December.

RESOLVED –

That the contents of the External Auditors' update and progress report be noted.

6. RISK MANAGEMENT STRATEGY 2009-10

The Committee received a report setting out the updated Risk Management Strategy for AVDC, for consideration and comment prior to approval by the Cabinet Member for Corporate Issues. The strategy was supported by the Risk Management Improvement Plan which set out the specific improvements that will be made during 2009-10.

The strategy described the Council's approach to risk management and set out, at a high level, AVDC's commitment to improve its capability to manage risks and indicated how it should become part of everyday thinking, behaviours, processes and business practices. The aims of the strategy were:-

- to promote a common understanding of risk, both positive and negative.
- to confirm how risk management should be practiced.
- outline roles and responsibilities across the Council.

RESOLVED –

That the Cabinet Member for Corporate Issues be recommended to approve the updated Risk Management Strategy and Improvement Plan.

7. AUDIT BRIEFING NOTE – SEPTEMBER 2009

The Committee received a report which provided Members with an opportunity to respond to the matters raised in the Audit Briefing Note number 6 (September 2009) which had previously been distributed to Audit Committee Members. The matters covered in the note were:-

- (i) business continuity planning.
- (ii) risk management update (including updated Risk Registers for major projects).
- (iii) Internal Audit progress report and the recommendations tracker.
- (iv) Update on progress with Statement of Accounts (previously circulated in August 2009).
- (v) Buckingham flooding – Department for Environment, Food and Rural Affairs (DEFRA) Property Level Flood Protection grant.

Members had not submitted any questions prior to the meeting however, they sought and were provided with additional information on the following:-

- (a) on the risk management work that had been done by the Council relating to moving out of the Friars Square offices by July 2010.
- (b) an undertaking was given to report back to Members on the progress that had been made to ensure that the Council properly reconciled the process for recording all licensing income received (which was an outstanding recommendation from a 2007 audit).
- (c) that it was anticipated that the review of the Council's financial regulations would be reported in December 2009.
- (d) on the current arrangements for the Fixed Asset Register, in particular relating to properties that would be transferred to AVE.

The Committee confirmed that they would like to continue to receive risk information on the major projects being undertaken by the Council, including Waterside and the theatre. Members found it easier to read the new format of the reports although some of the information provided was very technical.

RESOLVED –

That the contents of the Audit Briefing Note (September 2009) and information to be provided by Officers in response to the query at (ii) above be noted.

8. AUDIT COMMITTEE WORK PROGRAMME 2009/10

The Committee considered the draft Work Programme for the period up until March 2010. The following changes were agreed:-

- (i) External Auditors Organisational Assessment report, including information on the Buckinghamshire area assessment, to be moved from the 4/11/2009 meeting to the 7/12/09 meeting.
- (ii) External Audit reports on Use of Resources and the final accounts letter of representation – to come to the 4/11/2009 meeting.
- (iii) that a training / information session on the implementation of the International Financial Reporting Standards (IFRS) be held immediately prior to the 4/11/2009 meeting.
- (iv) that a training/information session on fraud and the results of the National Fraud Initiative be held immediately prior to the 7/12/2009 meeting.
- (v) that a training/information session also be timetabled on the Regulation of Investigatory Powers Act.

RESOLVED –

That the Work Programme, as amended by (i) to (v) above, be approved.

9. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 4th November, 2009, in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.