

AUDIT COMMITTEE

15th February, 2010

PRESENT:- Councillor Chilver (Chairman); Councillors Mrs Blake (in place of Cadd), Cartwright (in place of Isham), Edmonds (in place of Mills), Mrs Mallard, Mrs Paternoster (in place of Mrs Morgan-Owen) and Ralph. Councillor N Blake attended also as an ex-Officio Member.

APOLOGIES: Councillors Cadd, Isham, Kennell, Mills, Mrs Morgan-Owen and Mrs Rowlands.

1. MINUTES

RESOLVED –

That the Minutes of 7th December, 2009 be approved as a correct record.

2. EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report informing it of the progress made to date on the external auditor's main block of work for 2009/10, as detailed at Appendix 1 to the Committee report. The report also included a timetable at Appendix 2 of when the audit outcomes would be reported to the Audit Committee.

Members were advised that the auditors had finalised the Annual Audit Letter 2008/09 and, as such, their programme of work for the 2008/09 work programme was complete.

The Committee was advised that, in common with the majority of councils, the external auditors had assessed the Council's preparedness on the implementation of International Financial Reporting Standards (IFRS) as 'red' or at risk. An update on IFRS would be reported to the March 2010 meeting.

Members requested further information and were advised:-

- (i) on the methodology used by the external auditors to set their audit fees. There had been no change in the fee for current works since it had last been reported to the Audit Committee.
- (ii) that it was the intention that IFRS would lead to more transparency of the Council's financial accounts. This would mainly occur through more information being provided with the accounts, which in turn would mean that additional audit work would be required to be undertaken. In practice, it was acknowledged that the benefits to the Council from implementing IFRS would be limited.
- (iii) that, in audit terms, the value for money unqualified conclusion stating that the Council had **adequate** arrangements to secure economy, efficiency and effectiveness in its use of resources was a good result. The auditors scored this conclusion as either met or not met, and adequate arrangements indicated that the arrangements had been met.

The external auditors gave an undertaking to try to use as consistent language as possible in next year's Annual Audit Letter by using the use of resources scoring to also provide a score for the value for money assessment.

RESOLVED –

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

3. EXTERNAL AUDIT – GRANT CLAIMS REPORT

The Committee received a report from the External Auditors on their work associated with the certification of grant claims for 2008/09 submitted by AVDC. This was the first time that an audit of grant claims had been done and was now an annual requirement for the auditors to undertake and present to those charged with governance. The Audit Commission would be publishing an annual national report to raise the profile of certification and raise any general concerns about certification work with key stakeholders.

The external auditors had been required to certify four claims made by AVDC which were housing benefits, pooled housing receipts, disabled facilities and national non-domestic rates.

AVDC had received more than £40m funding from various grant-funding departments during 2008/09. In addition, the Council collected business rates of £44m for payment into the national pool. The external auditors had certified four claims with a total value of £84m and, of these, had carried out a limited review of two claims and a full review of two claims.

Two claims had been amended after the limited review. For the claims requiring full certification, a qualification letter to the grant-paying body on the housing and council tax benefit claim had been issued. However, this had related to an insignificant issue which the Council had addressed in 2009/10. The overall assessment for the Council from this audit was a good news story in that no significant findings had arisen from the work. It was likely that the external auditors would be able to feed these positive findings into the Council's use of resources assessment.

Members requested further information and were advised:-

- (i) that the Council had received a response from the Department for Works and Pensions on the housing benefit qualification letter.
- (ii) on the fees that had been charged by the external auditors for the grant certification work in 2008/09, which was £29,686. The majority of this fee (£24,067) related to certification of the housing benefits claim.
- (iii) that all efforts would be made to recover monies where any instances of the Council under-claiming of subsidy were identified.

RESOLVED –

- (1) That thanks be passed to the relevant Officers for the good work that they had done on grant claims for 2008/09.
- (2) That the external auditors report on the certification of grant claims by AVDC for 2008/09 be noted.

4. ANNUAL GOVERNANCE STATEMENT PREPARATION 2009/10

The Committee received a report updating it on the process and timetable for developing the Annual Governance Statement (AGS) for 2009/10. The preparation and publication of the AGS was a statutory requirement of the Accounts and Audit Regulations.

Members were informed that the AGS drew upon the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management framework. In particular, the independent report of the Council's Audit Manager was a significant factor in determining the position to be reported.

Another key source of assurance was the internal control self-assessments that were completed bi-annually by Heads of Service. The deadline for completion of these self-assessments was 13 March 2010 and was on track. Any significant issues arising from these would be included in the final AGS.

RESOLVED –

That the timetable and process for producing the Annual Governance Statement be noted.

5. IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – PROGRESS REPORT

The Committee received a report informing Members on the progress being made towards the pending introduction of International Financial Reports Standards (IFRS).

Local Government was required to adopt IFRS for the production of annual accounts from 2010/11, with comparatives for 2009/10. The Government's main reason for adopting IFRS was to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice.

Because the 2009/10 comparable figures for the 2010/11 account had to be produced on an IFRS basis work had to commence by restating balances as at 1 April, 2009 and the 2009/10 accounts in an IFRS format. AVDC was on track to do this by the end of March 2010.

To assist in progress towards implementation AVDC's Finance Team was hosting a joint group consisting of other Districts, Fire Service and the County Council to discuss the main issues and approach being taken by everyone.

Members were made aware of the areas of significant change for local authorities and it was explained that the impact and significance for each Council varied in accordance with the nature of this business and the particular transactions that they undertook. Those of particular significance for AVDC were:

- (i) the presentation of financial statements and disclosures – the Chartered Institute for Public Finance and Accountancy (CIPFA) was set out in an indicative timetable for completing transition to IFRS based accounts within its Local Authority Accounting Panel (LAAP Guidance Note 80 (previously circulated to Audit Committee Members)).
- (ii) Property, Plant and Equipment – there would be changes in the way that Fixed Assets would need to be recorded in the accounts. These assets would be known as Property, Plant and Equipment.
- (iii) Leases – work was underway to capture all information on equipment held and assets that were subject to leases. It was intended that this work would be completed by the end of March 2010.
- (iv) Employee Benefits – AVDC would be able to calculate the value of, and accruals for, untaken annual leave through the Council's time recording system.

Members requested further information and were advised:-

- (a) by the external auditors that on their current estimates only one in seven Councils was on track to implement IFRS in accordance with the indicative LAAP timetable.
- (b) that the Council's new Asset Register was IFRS compliant.
- (c) that as part of the Pathfinder project AVDC had investigated the possibility of installing or sharing new accounting software which might assist with meeting the IFRS requirements. AVDC did not have the resources to purchase and implement such software. However, all efforts were being made to ensure that the Council would be IFRS compliant at the lowest cost and as cost effectively as possible.
- (d) that Officers would report back from the joint Officer group on any money saving or other suggestions that would assist AVDC in complying with IFRS.
- (e) that discussions were being held with the Council's valuer to ensure that all properties were re-valued before the ultimate deadline for this area of work of 31 March, 2015.
- (f) by the external auditors that progress on implementing IFRS would not affect the Council's Use of Resources score, although it would be commented upon as a part of the auditor's reporting.

RESOLVED –

That the progress made to date by AVDC in working towards achieving IFRS standards be noted.

6. AUDIT COMMITTEE WORK PROGRAMME 2010/11

The Committee considered the draft Work Programme which included the changes agreed at this meeting, as detailed in the External Auditors' progress report.

RESOLVED –

That the Work Programme, as updated at the meeting, be approved.

7. FUTURE MEETINGS

The next meeting of the Audit Committee would be held at 6.30 pm on the 15th March, 2010, in the Meeting Room at The Gateway, Gatehouse Road, Aylesbury.