

## CHILTERN DISTRICT COUNCIL

### MINUTES of the Meeting of the AUDIT SUB COMMITTEE held on 18 MARCH 2010

**PRESENT:** Councillor D W Phillips - Chairman

Councillors: D G Meacock  
M Stannard

**APOLOGIES FOR ABSENCE** were received from Councillors A K Bacon, R J Barber and A Dibbo

**IN ATTENDANCE:** Councillors J S Ryman, Mrs E P Stacey, J F Warder and C J Wertheim

**ALSO IN ATTENDANCE:** Jon Barlow (Audit Manager) and Mick West (District Auditor) from the Audit Commission.

#### 11 MINUTES

The Minutes of the Audit Sub Committee held on 28 September 2009, copies of which had been previously circulated, were agreed by the Sub Committee and signed by the Chairman as a correct record.

*Note: Councillor Mrs E P Stacey entered the meeting at 6.33pm.*

#### 12 DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 13 ANNUAL AUDIT LETTER 2008/09

The Chairman welcomed Mick West (District Auditor) and Jon Barlow, Audit Manager from the Audit Commission, who were the Council's external auditors. They were in attendance to present the Annual Audit Letter and answer questions.

Mick West confirmed that an unqualified opinion on the Council's financial statements was issued on 30 September 2009. There had been no material errors in the accounts. There had been some issues of concern around system controls – additional testing had not found any significant errors – and some presentation issues.

Councils would be required to implement the full requirements of International Financial Reporting Standards (IFRS) from 2010/11. Chiltern had been assessed as 'red' or at risk, against these requirements. In response to questions from the Sub Committee, Mick West advised that many local authorities had received a similar assessment. The Audit Commission had

produced 'Countdown to IFRS' which reported local government's progress, and only 1 in 7 was 'on track'. The External Auditors had worked with the Council's Finance team to resolve issues and the Council were now on track.

An unqualified Value for Money conclusion was also issued on 30 September. Mick West noted that 2008/09 was the first year of the new Use of Resources assessment and represented a tougher test. Chiltern had been assessed as performing adequately.

Concerns were expressed at the changes to the Use of Resources assessment which had resulted in a reduced score for the Council on previous years. It was felt that the external auditors should explain this in the Annual Audit Letter to inform the public. Mick West advised that there had been a consultation process and extensive dialogue regarding the changes to Use of Resources with the Local Government Association. The changes were designed to seek continuous improvement from authorities, and the feeling from the Audit Commission was that the old Use of Resources assessment, and the Comprehensive Performance Assessment, had exhausted themselves in delivering new improvements. The old system focussed on process; the new arrangements looked at the effect of the processes. However, Mick West acknowledged that the new system had been introduced before the economic downturn. He added that the Audit Commission were committed to carrying out a fundamental review of its current approach to local value for money audit work, including Use of Resources.

Concerns were also expressed that the external auditors had not given a sufficiently 'independent' view of progress on the Buckinghamshire Pathfinder Project. Given the money (and Members felt question-marks remained over the actual amount expended) and other resources devoted to Pathfinder, the Sub Committee were surprised the external auditors had not commented on its success or otherwise. Mick West responded that at the time of the audit the Pathfinder was at an early stage and it had not been possible to form an opinion. The Sub Committee were of the opinion that a comment should have been included stating whether the Pathfinder appeared on course to deliver the projected savings. Mick West opined that as a partner authority in the Pathfinder, Chiltern District Council had to take responsibility for Pathfinder and act accordingly. The Chief Executive noted that the Council's decisions in respect of Pathfinder could be justified. For example, the Council's decision to withdraw from the Support Services workstream had now been replicated by other Districts. It was noted that the report to the Performance and Resources Overview Committee on 17 November 2009 had included a Pathfinder Governance Review and an Audit of Pathfinder.

Regarding audit fees, Mick West confirmed that an increase for 2008/09 was not proposed.

**RESOLVED -**

**That the 2008/09 Annual Audit Letter be received.**

#### **14 ANNUAL CLAIMS AND RETURNS REPORT 2008/09**

Funding from Government grant-paying departments represented an important income stream for the Council. The Council needed to manage claiming this income, and were required to demonstrate to the external auditors that it had met the conditions attached. The report summarised the findings from the certification of 2008/09 claims.

Jon Barlow confirmed that there were no significant concerns with the claims reviewed, and there were no recommendations arising from the work.

**RESOLVED -**

**That the Annual Claims and Returns Report 2008/09 be received.**

#### **15 INTERNAL AUDIT ANNUAL PLAN FOR 2010/11**

The Internal Audit Plan was used to direct Internal Audit resources to those aspects of the Council which were assessed as generating the greatest risk to the achievement of its objectives. The report before the Sub Committee set out the Plan for 2010/11.

Regarding IT Audits, the Audit Manager confirmed that Deloitte had been re-appointed to support the in-house audit team (this was a joint contract with the other Buckinghamshire authorities and Oxford County Council). Councillor Meacock requested that consideration be given to including in the audit plan, work relating to databases and information management.

Regarding the lack of audit days scheduled for 2010/11 for leisure, the Audit Manager confirmed that leisure was at present scheduled for audit every three years due to the current risk rating; an audit had been completed in 2009/10. Leisure had been found to be in good order with sound controls in place. Risk ratings were reviewed, and, for example, if a new leisure centre was built it would increase the risk rating.

**RESOLVED -**

**That the Internal Audit Plan for 2010/11, subject to the possible inclusion of work relating to Databases and Information Management, be agreed.**

#### **16 CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS - PROGRESS UPDATE**

The report before the Committee outlined progress on the requirement for local authorities to convert to International Financial Reporting Standards (IFRS) for the reporting of accounting information from 2010/11. A detailed project plan was included together with a high level implementation timetable.

Mick West advised that part of the 2009/10 external audit would look at the conversion of the accounts, so it was important the changes were done correctly. The external auditors were working closely with the Council's Finance team, and it was noted that a Working Group of representatives from the Bucks authorities had been formed to discuss progress and share knowledge.

Despite the additional work involved, Chiltern was on course to meet the IFRS requirements. The Head of Financial Services advised that updates would be given on progress against the Project Plan at Audit Sub Committee meetings.

**RESOLVED -**

**That the progress regarding preparation for the introduction of International Financial Reporting Standards be noted.**

## **17 REVIEW OF THE STATUS OF THE AUDIT SUB COMMITTEE**

The External Auditors Annual Governance report for 2008/09 had invited the Council to address the fact that the Audit Sub-Committee was effectively a Scrutiny Sub-Committee dealing with governance issues.

The Committee therefore received a further report suggesting that, to give sufficient weight to the mechanism, as suggested by the External Auditors, the Sub-Committee should be made a standing Committee.

The recommendation had been endorsed by the Constitution Review Committee at their meeting on 25 February. A suggestion from the Chairman of the Audit Sub Committee – that authority to monitor the audit fees levied or proposed by the External Auditors be added to the Terms of Reference of the Audit Committee – was also endorsed by the Constitution Review Committee.

The Constitution Review Committee had agreed that the Special Responsibility Allowance (SRA) paid to the Chairman of the Audit Committee would remain the same as that paid to the Chairman of the Sub Committee. It was further agreed that no SRA would be paid to the Vice-Chairman of the Committee. This also reflected the existing arrangements for the Sub Committee.

It was noted that references to the Comprehensive Performance Assessment (CPA) in the proposed Terms of Reference for the Audit Committee needed to be changed to Comprehensive Area Assessment (CAA).

After noting that the changes would take effect from Annual Council, the Audit Sub Committee

**RESOLVED -**

**That the recommendation of the Constitution Review Committee contained in Minute 15 of the meeting held on 25 February 2010 – as reproduced below – be endorsed by the Audit Sub Committee.**

**RECOMMENDED -**

- 1. That the Audit Sub-Committee become a full Committee reporting directly to the Council with effect from the Annual Meeting in May 2010.**
- 2. That the Terms of Reference of the Performance and Resources Overview Committee and the Audit Committee as set out in the Appendix to the report be approved subject to the addition of the following paragraph to the Terms of Reference of the Audit Committee:**

**10.3.11 Authority to monitor the audit fees levied or proposed by the External Auditors and to report on same as appropriate to Council.**
- 3. That no changes be made to the arrangements for the payment of an SRA to the Chairman of the Audit Committee and no payment be introduced for the Vice-Chairman.**

**The meeting ended at 7.30 pm**