

## AUDIT COMMITTEE

Meeting - 24 September 2009

Present: Mr Hollis (Chairman)  
Mr Chapman, Mr Bullock and Mrs Wallis

Apologies for absence: Mr Thomson

In attendance: Mr Doug Freeman, Bentley Jennison (Internal Audit)  
Mr Dan Harris, Bentley Jennison (Internal Audit)  
Mr Mick West, Audit Commission (External Audit)  
Mr Jon Barlow, Audit Commission (External Audit)  
Mr Adam Milward, Audit Commission (External Audit)

### 10. MINUTES

The minutes of the meeting of the Audit Committee held on 25 June 2009 were confirmed and signed by the Chairman.

### 11. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit Progress Report from Bentley Jennison, which was introduced by Doug Freeman. The report was in the standard format and outlined the findings on the report finalised since the last meeting of the Committee.

Contract Services - Refuse and Recycling - substantial assurance provided. One merits attention recommendation had been made in relation to the timely handling of complaints, which had been accepted by management. The Committee was pleased to note the satisfactory conclusion to this audit.

Four audits had reached the draft report stage: arrangements for elections; leisure services funding; Licensing and NNDR. Nothing had been identified requiring the early attention of the Committee. Final reports on each would be brought to the next meeting.

Dan Harris, an Audit Manager from Bentley Jennison was introduced to the Committee. It was proposed that Mr Harris would make a presentation to the next meeting of the Committee illustrating progress on the Audit Plan for 2009/10 and to start the audit planning process for 2010/11.

**RESOLVED** that the Internal Audit Progress Report be accepted.

### 12. REVIEW OF RISK MATURITY IN LOCAL GOVERNMENT AND EMERGENCY SERVICE ORGANISATIONS

The Committee received the Internal Auditors report on a Review of Risk Maturity in Local Government and Emergency Service Organisations, which was introduced by Doug Freeman. This was a thematic review which Bentley Jennison had carried out covering its local authority, fire and police authority clients with the object of gauging risk maturity in these public sector organisations and collating comparative information and examples of best practice and innovation.

The risk maturity model defined five stages of risk maturity from 'naïve' to 'enabled'. As previously reported, South Bucks was adjudged to be mid ranked at 'risk defined' but moving forward in the right direction. The report dealt with the approach to risk in its broadest sense, including the key features of good risk management, perceptions of risk maturity amongst organisations, risk registers and reviewing and updating the risk profile.

The Committee noted that in South Bucks risk was assessed mainly on a service by service approach or with regard to a particular project. All major actions or projects reported to Members contained a commentary on the risks associated with decisions. Risk registers were kept under review through regular meetings between the Director of Resources and Heads of Service, and through

## Audit Committee - 24 September 2009

consideration at the Risk Management Group and Management Team. Cabinet was regularly updated on risk through a separate section in the quarterly performance monitoring report. Also the budget monitoring report presented at each Cabinet meeting contained a section on budget risks.

**RESOLVED** that the Risk Maturity report be received.

### 13. REPORT ON THE SBDC 2008/09 ACCOUNTS

The Committee considered the Annual Governance Report from the External Auditors dealing with the findings from the 2008/09 audit.

The key messages from the report were:

- The audit for 2008/09 was substantially complete and subject to the 2007/08 objection being resolved and opinion being signed off, an unqualified opinion for 2008/09 would be issued.
- The financial statements appeared to be free from error and an unqualified opinion was due to be issued.
- The use of resources work had been concluded and the scores reviewed by national moderation. An unqualified value for money conclusion was also proposed.

A number of minor changes were required as a result of the audit; two concerned changes in wording - one to the explanatory foreword and the other to Note 27 'Events after the balance sheet date'. A presentational change had also been made to the Cash and Bank figure of £283,000 on the balance sheet, moving it from the Current Asset to the Current Liability section.

The Committee was very pleased to note the satisfactory outcome of the audit and the positive nature of the Annual Governance report. The draft Management Representation letter (Appendix 3 of the Annual Governance report) being the Council's response to the Auditor following the audit was confirmed for issue.

**RESOLVED** that the Annual Governance Report be received and noted.

### 14. SBDC STATEMENT OF ACCOUNTS 2007/08

The Committee considered a report of the Director of Resources re-presenting the 2007/08 Statement of Accounts for approval in accordance with the Accounts and Audit Regulations 2003.

The Committee had originally approved the accounts on 26 June 2008, and they had been reviewed (but not yet approved) by External Audit. The delay had occurred as a result of the objection lodged to the accounts on 17 September 2008 relating to the treatment of the Farnham Park assets.

The report went on to explain the background to the Farnham Charitable Trust, by virtue of which the Council was required to manage certain assets including the Farnham Park Sports Field and parts of Farnham Park Golf Course. Following discussions with the Charity Commission and External Audit, it had been established that these assets needed to be accounted for in a separate Charitable Trust Fund, and transactions relating to them should be excluded from the main SBDC Accounts.

In addition to representing the accounts, the report set out a summary of where changes had been made as a result of removing transactions relating to the Farnham assets.

In answer to a question, Mick West from External Audit commented that he would be unable to sign of the revised accounts until the objector had been given a further opportunity to comment on the changes made. An early resolution of this would be sought.

**RESOLVED** that:-

- (1) the 2007/ 08 accounts as revised be approved; and
- (2) the accounts be signed by Chairman of the Committee to signify completion of the Authority's approval process.

15. **FARNHAM PARK PUBLIC FACILITIES - ANNUAL REPORT AND ACCOUNTS**

The Committee considered a report of the Director of Resources presenting the Farnham Park Annual Facilities Annual Report and Accounts for 2006/07, 2007/08 and 2008/09 for approval. As referred to in minute 14 above, following discussions with the Charity Commission and External Audit, it had been established that the Farnham assets needed to be accounted for in a separate Charitable Trust Fund, and that transactions relating to them should be excluded from the main SBDC Accounts. As a result separate accounts for the Charity had been prepared.

The Committee accepted that full separate trust accounts had been created (in line with the current 2008 Charities Accounts Regulations - as set out in detail in the resolution below), for 2006/07 onwards:

- The 2006/07 Accounts were a transitional set of Accounts, to restore the Trust to the position it would have been in if full Accounts had always been compiled.
- The 2007/08 and 2008/09 Accounts were normal Accounts, in line with the fact that the Trust activities had now been excluded from the 2007/08 and 2008/09 SBDC Accounts.

The report went on to detail differences in the way Charities Accounts have to be compiled as compared to local authority accounts, notably in relation to the treatment of assets and the depreciation of them. Also, each set of accounts was required to include a 'Trustees Annual Report' and the opportunity had been taken to include in this a statement that the Trustees had had regard to the Charity Commission guidance on public benefit.

Arising from questions asked by members, the following points were apparent:

- It may be necessary to more clearly define support costs in future accounts.
- Members preferred the Charity Trustees to be referred to as "The Members of South Bucks District Council" rather to set out individual names, although the status and responsibility of Trustees was the subject of ongoing discussion with the Charity Commission.
- Given that in recent years income (from green fees, hire fees etc.) had been less likely to match the expenditure which contained a high element of fixed costs, it was suggested that reference could be made to the volatility of fees (in periods of financial restraint) and the risks arising.
- The accounts would need to be adjusted to show the fee for audit of the accounts, but a figure was still awaited from the external auditors.

After consideration, it was

**RESOLVED** that:

- (1) - Regulation 8 of the 2008 Regulations be applied, rather than Regulation 3 of the 2005 Regulations, to the statement of accounts prepared in respect of the 2006/07 and 2007/08 financial year; and  
  
- Regulation 40 of the 2008 Regulations be applied, rather than Regulation 11 of the 2005 Regulations, to the annual report prepared in respect of the 2006/07 and 2007/08 financial year.
- (2) subject to appropriate adjustments as referred to above, the Annual Report and Accounts for 2006/07, 2007/ 08 and 2008/09 be approved, signed by the Chairman of the Committee and submitted for audit.

16. **WORK PROGRAMME**

The Committee received a Work Programme for future meetings in 2009/10.

17. **TERMINATION OF MEETING**

The meeting terminated at 6.56 pm