

## AUDIT COMMITTEE

### Meeting - 18 September 2014

Present: Mr Hollis (Chairman)  
Mr Bradford, Dr A Dhillon and Mrs Wallis

Also Present: Chris Harris – TIAA (Internal Auditor)  
Claire Hodges and Maria Grindley - Ernst and Young (External Auditor)

Apologies for absence: Mr Hardy and Mr Anthony

#### 13. MINUTES

The minutes of the meeting of the Committee held on 3 July 2014 were confirmed and signed by the Chairman.

#### 14. GUIDANCE ON DECLARATIONS OF INTEREST

Following the request made at the last meeting the Committee received a report setting out in appendix 2 additional draft guidance for members on declarations of interest under the Localism Act 2011 and code of conduct specifically in relation to (a) what constitutes a “close association” and (b) when dual hatted members need to declare personal and prejudicial interests. The intention was to produce the guidance in time for member training after the 2015 District Elections.

Following a question from the Independent Member, it was confirmed that the declaration of interest form is included in the pack handed to members as soon as they are elected.

In view of the importance of the issue, the Committee asked the Head of Legal and Democratic Services to give a presentation to Members when the matter is considered at the next meeting of Council.

After considering the draft guidance, the Audit Committee

**RECOMMENDED** to Council that the guidance for members on declarations of interest under the Localism Act 2011 and code of conduct, as set out in appendix 2, be adopted.

#### 15. SUBSCRIPTION TO STANDARDS EXCHANGE

The Committee received a report inviting it to consider whether to renew its subscription to the Standards Exchange service, an on line service for members with responsibility for standards issues, at an annual cost of £300.

The Independent Member supported continued membership indicating that the information provided by the Standards Exchange had been very useful him in understanding he role of the Independent Member.

After noting the service provided and the benefits, the Committee

**RESOLVED** to renew the Council's subscription to the Standards Exchange at an annual cost of £300.

16. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered an Internal Audit progress report from TIAA including details of the audits carried out since 1 April 2014 set out in a table in paragraph 4 of the appendix, which also set out changes to the annual plan 2014/15, as well as progress against the annual plan for 2014/15.

The Committee noted that a few audits had been postponed because of work on shared services.

**RESOLVED** that the progress against the Internal Audit Plan and findings arising from the Internal Audit Work be noted.

17. **FOLLOW UP REVIEW OF INTERNAL AUDIT RECOMMENDATIONS**

The Committee considered a follow up review report by TIAA which included details of the management action that had been taken in respect of the recommendations arising from the internal audit reviews which were completed to final report stage as at 31 March 2014.

**RESOLVED** that the follow up review of internal audit recommendations be noted.

18. **APPROVAL OF MAIN SBDC ACCOUNTS AND CONSIDERATION OF EXTERNAL AUDIT RESULTS REPORT**

In accordance with the Accounts and Audit Regulations, the Committee received a report on the Statement of Accounts 2013/2014 divided into eleven standard headings including the report of the External Auditors (Ernst and Young) and the Annual Governance Statement as referred to in paragraph 4.2 of the report.

In connection with the report of Ernst and Young the Committee noted the amendments to the following paragraphs:

- Uncorrected Errors - delete "no"
- Request for Written Representations – replace "we may request" with "we will request"

The Committee was advised that Ernst and Young would be issuing an updated report incorporating these amendments together with an unqualified opinion on the accounts.

A sheet amending figures on pages 101 and 102 relating to post-employment benefits was also noted by the Committee.

During the discussion the Committee noted a number of issues arising from the Accounts including the following:

- The General Fund Balance had decreased by £2,000 to £2,508,000.
- Earmarked Reserves increased by £353,000 to £2,497,000.
- The Council's capital receipts reduced by £3,575,000 to £8,718,000 due to receipts being used to fund the Council's capital investment programme.
- The accumulated estimated pension fund deficit now stands at £22,596,000.
- With regard to revenue outturn there was a net deficit for the year of £2,000
- Capital expenditure totalled £3,956,000 funded by a combination of capital receipts and government grants.
- The Authority decreased the amount of cash that it holds by £1.075m.

The Chairman of the Committee referred to the net deficit for the year of £2k and wished to congratulate the Portfolio Holders for the way they had monitored and managed their respective budgets.

Following concern expressed about the level of the accumulated pension fund deficit the Chairman undertook to speak to the Chairman of the Overview and Scrutiny Committee to see if the Committee had scope to subject the of the pension fund deficit and its implications to a scrutiny review at a future date.

**RESOLVED** that the 2013/2014 Accounts be approved and signed by the Chairman of the Committee to signify the completion of the Authority's approval process.

19. **APPROVAL OF FARNHAM CHARITABLE TRUST ACCOUNTS AND CONSIDERATION OF EXTERNAL AUDIT RESULTS REPORT**

The Committee received a report seeking approval to the Farnham Park Public Facilities Annual Report and Accounts for 2013/14 in accordance with the authority delegated to it by Council on 9 December 2008. The Committee also received a supplementary report attaching the Report of the Trust's External Auditor's (Mazars) and noted the changes that had been made to the Accounts as a result of the audit as set out in paragraph 3.1

The main report, after explaining the background to the Trust and the Council's responsibilities as Trustee, set out amongst other things:

- The legislative background;
- The different accounting methodologies used in compiling the Statement of Accounts
- The Trustee's Annual Report
- The Statement of Financial Activities
- The Balance Sheet

The Committee particularly noted that, as a result of the losses over the past few years and the need to show the £150,000 grant as “restricted” income, the Trust’s unrestricted reserves were now negative. In response to a question the Director of Resources explained the processes that were in place to improve the Trust’s financial performance and that the Advisory Panel which had been set up would play an important role in monitoring performance on a regular basis and advising on the strategy to move the Trust to a sound financial basis.

On being advised that a tender process to select external auditors for the Trust was due to commence the Committee agreed that the tender specification should include a provision for the auditors to attend meetings of the Committee as and when required.

**RESOLVED** that the Annual Report and Accounts be approved and authority be delegated to the Chairman to sign the Annual Report and Accounts to signify the completion of the Charitable Trust’s approval process.

20. **AUDIT COMMITTEE WORK PROGRAMME**

The Committee received the audit work programme for future meetings in 2014/15.

21. **STANDARDS COMMITTEE WORK PROGRAMME**

The Committee received the standards work programme for future meetings in 2014/15.

The Committee on being advised of the resignation of the Independent member, Mrs Nandhra, to take effect from 15 January 2015 and after agreeing that there was no immediate need to fill the vacancy, noted that a report on setting out the process for seeking a replacement would be submitted to the next meeting.

**RESOLVED** - That the standards work programme be noted.

The meeting terminated at 7.35 pm