

Audit Committee

A meeting of Audit Committee was held on Monday, 27th September, 2010.

Present: Cllr Barry Woodhouse (Chairman), Cllr Mick Womphrey, Cllr John Fletcher, Cllr Maurice Frankland and Cllr Maurice Perry

Officers: Paul Saunders, Paul Johnston (R) and Michael Henderson (LD)

Also in attendance: Cath Andrew and Lynne Snowball (Audit Commission)

Apologies: Cllr Mrs Lynne Apedaile, Cllr Mrs Kath Nelson, Cllr Ross Patterson and Cllr Mrs Sylvia Walmsley

A **Declarations of Interest**

31/10

None

A **Minutes**

32/10

The minutes of the meeting held on 29 June 2010 were confirmed as a correct record and were signed by the Chairman.

A **Audit Commission Annual Governance Report**

33/10

Officers from the Audit Commission were in attendance and presented the Commission's Annual Governance Report on the Council for 2009/2010.

Members noted that, subject to satisfactory clearance of outstanding matters, the Commission intended issuing an audit report including an unqualified opinion on the financial statements. The Committee's attention was drawn to any outstanding matters and it noted any adjustments to and errors in the financial statements.

The Commission indicated that it had undertaken work into whether the Council was achieving value for money and had reached the unqualified conclusion that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Key messages from this work included:-

- the Council continued to deliver high quality, low cost services and was working hard to improve further despite challenging economic and financial conditions. Local people were involved in financial and service planning and commissioning services and they expressed high levels.
- the Council was seeking to improve value for money through a number of means as its ongoing Efficiency, Improvement and Transformation programme, rationalisation of assets, working with partners, improving processes and innovative procurement practice.
- the Council had a good track record of managing change, it managed finances and performance well and had a high standard of governance.

Members considered and agreed that the Committee's Chairman should sign a letter of representation on behalf of the Council. Members also considered a number of recommendations made by the Commission and agreed that actions

be undertaken to address those recommendations.

RESOLVED that:-

1. the report be received and the matters raised be noted.
2. the letter of representation be approved and signed by the Chairman on behalf of the Council.
3. appropriate actions be undertaken to deliver the recommendations identified by the Audit Commission.

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34/10**

Treasury Management Strategy - 2nd Quarter Update

The Committee was provided with an update on the practical implementation of the 2010/11 Treasury Management Strategy, and associated issues.

Members noted that there had been two major pointers to the state of the banking sector during the second quarter. These were

- the results of a wide ranging stress testing exercise on European Banks. Results had been very positive with only 9 small banks failing the test.
- publishing of British Banks' half yearly financial results. At a high level these results showed an improving situation with all banks moving into a profit position.

Despite the positive news described above there were still concerns about the fragility of the economic recovery and the potential relapse. This had tempered any over optimism and rating agencies had not improved the ratings on the major banks.

There was also caution within Building Societies as uncertainty in the economy meant the housing market remained fragile. In addition societies were having problems accessing wholesale funds and were cutting their cost base.

The difference in the outlook for banks versus building societies, and the Government intervention in supporting banks had led the Council to change its investment ratio from 65% with building societies and 35% with banks to 25% with building societies and 75% with banks.

The Council continued to maintain its targets on investment return, detailed in its Medium Term Financial Plan.

RESOLVED that members note the content of the report.

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35/10**

Statement of Accounts 2009/10

The Committee considered a report that presented the Council's amended Statement of Accounts for 2009/2010.

Members were reminded that the Audit Committee had approved the Statement of Accounts for 2009/10 at its meeting on 29 June 2010. Since that date three

material items requiring adjustment had been identified by the audit process. A small number of non-adjusting errors had been identified and had been detailed in the Annual Governance Report.

The material items adjusted were:

- Long Term Loans – the Council repaid £50 million of its long term loans in April 2010. This meant that those loans should have been shown in the balance sheet as a current liability payable within one year rather than a long term liability payable after one year.
- PFI scheme – the PFI scheme at Ingleby Barwick was included “on-balance sheet” due to changes in the SORP. Adjustments by both Valuation and Accountancy staff meant that the asset was double-counted and overstated by £8.956 million.
- Government Grants Deferred – grants received for capital items are placed on the balance sheet and used to offset future depreciation charges for the use of the relevant assets. When the Council no longer retains the assets the remaining grant should be brought into the Income and Expenditure Account. The Council had received grants to fund the repurchase and demolition of former council houses, when this work was complete the grants (£11.4 million) should have been brought into the Income and Expenditure account.

In each case the adjustments had no impact upon the previously reported level of General Fund or Housing Revenue Account balances. This was because the transactions were covered by special arrangements, which prevented the amounts impacting upon the Council's budget requirement. Therefore the charges to the Income and Expenditure Account were reversed out through the Statement of Movement on General Fund Balance. In total the Council's Net Worth was increased by £2.5 million.

RESOLVED that the amended Statement of Accounts for 2009/2010 be approved.

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36/10 **Audit Committee Work Programme 2010/11**

Members were provided with the Committee's existing work programme.

RESOLVED that the work programme be noted.