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**REPORT OF AUDIT COMMITTEE**


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**MEETING HELD ON 25 SEPTEMBER 2006**


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Chairman: \* Councillor John Cowan

Councillors: \* Keith Ferry (1) \* Stanley Sheinwald  
\* Archie Foulds \* Jeremy Zeid (3)

\* Denotes Member present  
(1) and (3) Denote category of Reserve Members

**PART I - RECOMMENDATIONS - NIL**

**PART II - MINUTES**

23. **Attendance by Reserve Members:**

**RESOLVED:** To note the attendance at this meeting of the following duly appointed Reserve Members:-

<u>Ordinary Member</u>	<u>Reserve Member</u>
Councillor Richard Romain Councillor Thaya Idaikkadar	Councillor Jeremy Zeid Councillor Keith Ferry

24. **Declarations of Interest:**

**RESOLVED:** To note that there were no declarations of interest by Members in relation to the business transacted at this meeting.

25. **Arrangement of Agenda:**

**RESOLVED:** That (1) in accordance with the Local Government (Access to Information) Act 1985, the following agenda item be admitted late to the agenda by virtue of the special circumstances and grounds for urgency detailed below:-

<u>Agenda item</u>	<u>Special Circumstances/Grounds for Urgency</u>
9. Statement of Accounts 2005-2006	The report was not available at the time the agenda was printed and circulated as additional information from, and discussion with, the External Auditor required changes to the accounts. Members were asked to consider this item as the Accounts and Audit Regulations 2003 required approval of the Statement of Accounts by 30 September 2006

(2) all business be considered with the press and public present with the exception of the following item for the reasons set out below:-

<u>Item</u>	<u>Reason</u>
9. Statement of Accounts 2005-2006 – oral explanation in relation to line (12) of Appendix 1 to the report	The oral explanation in relation to the additional Insurance Provision included at line (12) of the tabled Appendix 1 contained exempt information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contained information in relation to the financial or business affairs of any particular person (including the authority holding that information).

26. **Minutes:**

**RESOLVED:** That (1) the minutes of the meeting held on 27 June 2007 be taken as read and signed as a correct record;

(2) the minutes of the Special meeting held on 12 September 2006 be deferred until the next meeting and once printed in the bound Council Minute Volume.

27. **Public Questions:**

**RESOLVED:** To note that no public questions were put at the meeting under the provisions of Committee Procedure Rule 19 (Part 4B of the Constitution).

28. **Petitions:**

**RESOLVED:** To note that no petitions were received at the meeting under the provisions of Committee Procedure Rule 16 (Part 4B of the Constitution).

29. **Deputations:**

**RESOLVED:** To note that no deputations were received at the meeting under the provisions of Committee Procedure Rule 17 (Part 4B of the Constitution).

30. **References from Council and other Committees/Panels:**

**RESOLVED:** To note that no references were received from Council or other committees at this meeting.

31. **Statement of Accounts 2005-2006:**

The Director of Financial and Business Strategy introduced the report, which set out the proposed changes to the 2005-2006 Statement of Accounts. She drew Members' attention to the revised Appendix 1 to the report, which had been tabled, and advised that, subject to the agreement of the Committee, the Accounts would be signed by the Chairman, the External Auditor and herself. The External Auditors, Nigel Johnson and Angus Fish, Deloitte and Touche, were in attendance at the meeting.

An officer detailed the adjustments made to Appendix 1, advising that training costs had been marginally reduced. In relation to increase/decrease in accruals, he advised:-

- (6) Housing benefit claim had reduced;
- (11) Professional fees was a new item;
- (12) Additional insurance provision was a new item and the main addition to the Appendix.

The Director of Financial and Business Strategy advised that, following further discussions, it was proposed to increase the additional insurance provision to £450,000, resulting in a figure of £1,839,000 for the balance carry forward post audit amendments. This additional provision related to a planning appeal and a Member requested that this be discussed in detail in private session.

The External Auditor detailed the updating to the report that had been carried out since the Committee's special meeting on 12 September 2006. The Committee were advised that:-

- issues in relation to bad debt provision had broadly been resolved or accommodated within an acceptable level of tolerance;
- considerable time had been spent on premia arising on redemption of debt;
- in relation to capitalisation of expenditure, more information had become available on the feasibility of projects but more was still required. The Auditor advised that he needed to confirm that the authority was correct in its view and that he would be speaking to Price Waterhouse Coopers on this issue;
- in relation to the additional insurance provision, the Auditor confirmed that the figure was within tolerance levels and that he was aware of the specific issue in relation to the planning appeal;
- the Auditor was fairly content with the assumption in relation to pension liabilities but were requested to note that there was a presentational update;
- there was little change to the statement on internal control;
- in relation to group accounts, further information on Breakspear Crematorium had just been received but the impact was likely to be minimal;

- the amounts capitalised in respect of the Business Transformation Partnership, the recoupment balances and the council tax system reconciliation had been referred to in the status of audit as these were substantive areas of concern;
- the Auditor felt that it was important to make reference to the value for money conclusion and that, having received further information, had been able to remove one area of qualification since the Committee's special meeting;
- there was correction to the anticipated value for money conclusion on page 34 of the report in that the report would be qualified in respect of two matters and should refer to Appendix 2, not 4;
- the Auditor would not be confirming that the audit was complete until the Accounts had been signed by the Chairman of the Committee, the Director of Financial and Business Strategy and the External Auditor.

A Member expressed concern in relation to the value for money judgement and questioned who should be making such judgements and whether it was a function of Audit. In response, the Director of Financial and Business Strategy advised that this was the first time such a judgement had been included in the Statement of Accounts and that the Auditors had a choice of statements, from a clearly defined framework, for inclusion.

Members thanked the External Auditors and the officers for all their work on the Statement Accounts.

**RESOLVED:** That (1) the changes to the 2005-2006 Statement of Accounts, including the revised Appendix 1 and additional insurance provision, be approved;

(2) the revised audit report and conclusions of the External Auditor be noted;

(3) the 2005-2006 Statement of Accounts, subject to any consultation with members of the Committee if there were any material changes, be approved.

(See also Minute 34).

32. **Internal Audit Full Year Report 2005-06:**

Members received a report of the Director of Financial and Business Strategy, which set out the progress against the 2005-2006 Internal Audit plan and key issues arising from the work undertaken.

An officer reminded Members that they had received an interim final year report at their meeting in June 2006 and that this report added to that information. The report before Members included progress against the Internal Audit work plan and information in relation to financial irregularities.

**RESOLVED:** That the report be noted.

33. **Internal Audit Escalation Report - Web Publishing Protocols:**

Members received a report of the Director of Financial and Business Strategy, which related to the systems behind the web publishing protocols. An officer advised that the Web refresh project should be concluded by December 2006.

In response to a Member's comments that the Council's website was difficult to use and navigate, that fonts tended to be small and that the use of pdf documents was not helpful to the user, the Director of Financial and Business Strategy advised that these concerns had been raised by other Members and that the project would look at the whole site and that there would be significant consultation as part of the project. She added that disaster recovery was being considered as part of the Business Transformation Project.

**RESOLVED:** That the report be noted.

34. **Statement of Accounts 2005-2006:**

The Director of Financial and Business Strategy gave an oral report in relation to the additional insurance provision included in the Statement of Accounts for a specific planning appeal.

**RESOLVED:** That the position be noted.

(See also Minutes 25 and 31).

(Note: The meeting, having commenced at 7.30 pm, closed at 8.20 pm).

(Signed) COUNCILLOR JOHN COWAN  
Chairman