

AUDIT COMMITTEE

Monday 29th June, 2009 at 6pm
in Committee Room 3 at the Council House, Dudley

PRESENT:-

Councillor Taylor (Chairman)
Councillor Kettle (Vice Chairman)
Councillors Ahmed, Ali, J D Davies, J R Davies, Hill, Ms Nicholls and
Wright.

Officers:-

Interim Director of Finance, The Chief Executive, Interim Director of Law
and Property, Assistant Director of Law, Property and Human Resources
(Human Resources and Citizenship), Head of Audit Services, Mrs J Uff
(Financial Accountant), Mr G Harrison and Mr Shaun Potter (Audit
Managers), Ms A Evans (Principal Auditor), and Miss K Fellows
(Directorate of Law, Property and Human Resources).

Also in Attendance:-

Mr S Turner Audit Manager, (Audit Commission).

1 CHAIRMANS REMARKS

The Chairman welcomed new members and Mr S Turner to the meeting.

2 APOLOGIES FOR ABSENCE

An apology for absence from the meeting was submitted on behalf of
Councillor Burston.

3 APPOINTMENT OF SUBSTITUTE MEMBERS

It was reported that Councillor T Wright had been appointed as a
substitute member for Councillor Burston for this meeting of the
Committee only.

4 DECLARATIONS OF INTEREST

No member made a declaration of interest, in accordance with the
Members' Code of Conduct, in respect of any matter to be considered at
this meeting.

MINUTES

Reference was made to minute 44 - Audit Services Work on Fraud – and to the issue of the duration and number of staff suspensions.

RESOLVED

- (1) That, subject to the inclusion of an apology for absence from the meeting submitted on behalf of Councillor Ali, the Minutes of the Committee held on 16th April, 2009 be approved as a correct record and signed
- (2) That the Assistant Director of Law, Property and Human Resources, Human Resources and Citizenship, be requested to report to the next meeting of the Committee in relation to the process for monitoring and reviewing employee suspensions; whether investigation times could be reduced and with details of the average duration of suspensions.

ANNUAL AUDIT AND INSPECTION LETTER 2008.

A joint report of the Chief Executive and Interim Director of Finance was submitted on the Annual Audit and Inspection Letter from the external auditors, the Audit Commission. A copy of the Annual Audit and Inspection Letter was appended to the report.

Arising from the presentation of the report, members asked questions, and in responding to these questions, Mr S Turner, from the Audit Commission, reported that, in relation to achievement of value for money and overall use of resources, some aspects of financial management had weakened, due to the overspend in 2008, which had produced a lower score than was given for financial management for use of resources in 2007.

The Interim Director of Finance reported that the systems that had been put into place to prevent this situation occurring in the future had satisfied the District Auditor and when the systems were reported to Cabinet, they had concurred with this view.

In responding to a question from a member in relation to the access to services, and the pace of improvement, the Chief Executive reported that the Council recognised the equality standard; that this was relatively new and brought together different strands of equality, and although a new guide was now available, this had been awaited for sometime from the Equality Commission, and the Council's ambition would be to reach a much higher access to services standard within the next five to ten years.

The Interim Director of Law and Property indicated that there was an Equality and Diversity tool kit available that enabled the Council to carry out their own assessments. He stated that he had recently chaired a new Corporate Group in relation to Equality and Diversity, and it was anticipated that by September, 2009 progress would be made in relation to this service. Following further discussion it was

RESOLVED

That, the information contained in the report, and Appendices to the report, submitted on the Annual Audit and Inspection Letter 2008, be noted.

7 AUDIT COMMISSION AUDIT OPINION PLAN 2008/09

A report of the Interim Director of Finance was submitted on the Audit Commission Audit Opinion Plan 2008/09. A copy of the Audit Opinion Plan was attached to the report.

RESOLVED

That, the information contained in the report, and Appendix to the report, submitted on the Audit Commission Audit Opinion Plan 2008/09, be noted.

8 AUDIT COMMISSION FEE LETTERS 2009/10

A report of the Interim Director of Finance was submitted on the Audit Commission Fee Letters for 2009/10. Copies of the fee letters were attached to the report.

RESOLVED

That, the information contained in the report, and the Appendices to the report submitted be noted.

9 STATEMENT OF ACCOUNTS 2008/09

A report of the Interim Director of Finance was submitted on the Statement of Accounts 2008/09 and on the progress of the audit of the accounts.

Arising from the presentation of the report there was wide ranging and detailed interest from members who asked a number of questions and made comments in particular in relation to:-

- The amount of monies drawn upon from the general and earmarked specialised reserves;
- Discrepancies in relation to the Income and Expenditure Account;
- The Statement of Actuarial Gains and Losses on the Local Government Pension Scheme, and whether this constituted a fair valuation of the scheme assets;
- Clarification in relation to capital expenditure;
- The impact that projected borrowing would have upon the Council's future financial position;
- The numbers of staff whose remuneration, excluding employer's pension contributions, had increased to £50,000;
- The Housing Revenue Account, and clarification of the negative subsidy of £13,905k;
- Clarification of the long term debtors, and why these debts remained outstanding;
- The actual collection rate percentage for Council Tax charges for 2008/09;
- Movement in Short-term investments;
- The loss on disposals reported in the Income and Expenditure Account;
- The layout of the Housing Revenue Account;
- A suggestion that the recommendation "the Committee approve the Statement of Accounts" should be followed by the wording "subject to external audit"

The Financial Accountant clarified that in relation to the Income and Expenditure Account, there was a typographical error relating to the Other Housing Services. The expenditure figure would be amended to read £89,730k instead of £87,730k. The other figures in the account were correct.

It was further reported that a difference between expected and actual return on assets in the Local Government Pension Scheme, reflected the way in which actuaries carried out their valuations, as they assume a certain percentage and apply this to the asset at the beginning of the year. The asset value in the balance sheet is fair value, based on market prices.

The Interim Director of Finance stated that detailed capital funding in future years had not been agreed at present, however loan capital would be significant in funding overall capital expenditure.

It was indicated that debt charges were affordable and were built into the assessment of capital expenditure proposals. As older loans were repaid, those debt charges would reduce. The costs of borrowing would be reflected in the Council Tax Budget and the Housing Budget.

It was further reported that the increase in the numbers of staff whose salary had exceeded £50,000 had been due to the annual pay increase, which had taken some salary points above the £50,000 threshold.

It was reported that calculation of housing subsidy had taken into account the average cost of maintenance and repairs to existing Council housing stock, and the amount which would be raised in rent and the effect of the “negative subsidy” would be that any expected surplus would be paid to the Government in order that this could be distributed to other authorities who required additional funding.

The Financial Accountant reported that the depreciation and impairments of fixed assets in relation to the Housing Revenue Account included impairment figures for demolition costs.

In relation to long term debtors, the Financial Accountant stated that the item ‘debts secured on property’ related mainly to social care debts which were secured against properties; the debts would be repaid to the Council once the properties were sold.

It was further reported that the movement in short term investments reflected treasury action to maximise the benefits to the Council of varying Council cash balances.

It was stated that the reported loss on disposals had been due to Halesowen schools acquiring Foundation status, and being removed from the balance sheet.

It was indicated that the “additional items” in the Housing Revenue Account mirrored those in the Statement of General Fund Balance for the Income and Expenditure Account, and were detailed in Note 1 to the Housing Revenue Account.

The Interim Director of Finance reported that Council Tax payments relating to previous years continued to be collected and therefore the final collection percentage rate for 2008/09 would not be available at present.

RESOLVED

That, subject to external audit, approval being given to the Statement of Accounts, attached to the report submitted for the 2008/09 financial year and that the Chairman sign and date the accounts.

A report of the Interim Director of Finance was submitted on the Annual Governance Statement that was to be published with the accounts for the financial year 2008/09.

Following comments raised by a members relating to the lack of member involvement in relation to the preparation of the Annual Governance Statement, the Head of Audit Services advised that CIPFA/SOLACE guidance had been followed, and that the Constitution sets out the roles and responsibilities of elected members, confirming that member involvement included the submission of the Statement to the Audit and full Council. He would convey members comments to the appropriate persons.

RESOLVED

- (1) That the information contained in the report, and Appendices to the report, submitted on the Annual Governance Statement, be noted.
- (2) That approval be given to the Annual Governance Statement, as set out in Appendix C, and for its referral for signature by the Leader of the Council and the Chief Executive.

11

ANNUAL REVIEW OF INTERNAL AUDIT

A report of the Interim Director of Finance was submitted on the annual review of the effectiveness of the system of internal audit that would form part of the Annual Governance Statement for the 2008/2009 financial year.

In presenting the report, the Head of Audit Services advised that in continuing to review the effectiveness of internal audit, he would continue with enquiries of other local authorities in order to determine composition and practices of other Audit Committees.

RESOLVED

- (1) That the information contained in the report, and Appendices to the report, submitted on the review of the effectiveness of the system of internal audit be accepted.
- (2) That the Interim Director of Finance be requested to report to the next meeting of the Committee on the composition and practices of other Local Authorities Audit Committees.

12

INTERNAL AUDIT SERVICES ANNUAL REPORT 2008/09.

A report of the Interim Director of Finance was submitted on an overview of the performance of Dudley Audit Services in the year to 31st March, 2009, and to inform the Committee of the Head of Audit Services ' opinion on the effectiveness of the Council's system of internal audit, internal control and risk management.

Arising from the presentation of the report a member requested clarification in respect of the delay in the issuing of final reports, and whether this could be rectified.

The Head of Audit Services reported that management letters submitted to Directorates would identify those who had not complied with the time limits for the provision of final reports, in order that this would hopefully improve target figures.

The Interim Director of Finance paid tribute to the Head of Audit Services and his team for their significant improvement in performance, high level of commitment and hard work.

RESOLVED

That the information contained in the report, and Appendices to the report submitted, on the performance of Internal Audit Services in 2008/09, be approved together with the opinion of the Head of Internal Audit on the effectiveness of the Council's system of internal audit, internal control and risk management.

13 EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated below; and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

<u>Item</u>	<u>Paragraph Numbers</u>
Annual Audit Report in relation to the Directorate of Law, Property and Human Resources.	2 and 7
Annual Audit Report in Relation to the Chief Executive's Directorate	2 and 7

14 ANNUAL AUDIT REPORT IN RELATION TO THE DIRECTORATE OF THE LAW, PROPERTY AND HUMAN RESOURCES.

A report of the Interim Director of Finance was submitted on audit work undertaken in the Directorate of the Law, Property and Human Resources for the 2008/2009 financial year and incorporating details of the more important findings.

RESOLVED

- (1) That the findings of the 2008/09 audit work be accepted.
- (2) That the Head of Audit be requested to report to the February 2010 meeting of the Committee in respect of the PSE Establishment referred to in Appendix 1 to the report submitted.

15

ANNUAL AUDIT REPORT IN RELATION TO CHIEF EXECUTIVE'S DIRECTORATE

A report of the Interim Director of Finance was submitted on the audit work undertaken in the Chief Executive's Directorate for the 2008/09 financial year and incorporating details of the more important findings.

Arising from a concern of a member, the Chief Executive reported that improvements within the Directorate had been made with changes in relation to management, producing greater control in relation to audit matters. In addition to this, staff training would be provided especially in relation to Standing Orders.

RESOLVED

That the findings of the 2008/09 audit work be accepted.

The meeting ended at 8.10pm

CHAIRMAN