

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday, 23 September 2014 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors Ms Dean, Mrs Knight, MacKay, Pittarello, Pratt, Mrs Syson and Williams.

Also present: Councillor Cross (Portfolio Holder for Finance).

An apology for absence was received from Councillor Barrott.

55. **Appointment of Chair**

Resolved that Councillor Mrs Knight be appointed as Chair for this meeting in the absence of Councillor Barrott.

56. **Substitutes**

Councillor Ms Dean substituted for Councillor Barrott.

The Chair asked that it be recorded that there were a number of Members absent who had not given apologies or sent substitutes.

57. **Declarations of Interest**

There were no declarations of interest.

58. **Audit Findings Report from External Auditor**

The Committee received a report presenting the external auditors' Audit Findings Report in respect of 2013/14, which was attached.

Mr Gregory and Mrs Lillington attended the meeting to present the report on behalf of the external auditor, Grant Thornton.

The audited accounts were due to be agreed by Council on 24 September, after which time the accounts would be published ahead of the 30 September deadline.

Also attached to the report was a letter of representation which, with the Committee's agreement, would be signed by the Committee Chair and the Head of Finance and then be handed to the external auditors.

The Committee, in its role as the Council's audit committee, was expected to consider the Audit Findings Report, which identified key issues that Members should consider before the auditors issued their opinion, conclusion and certificate.

FINANCE AND AUDIT SCRUTINY COMMITTEE (Continued)

The Head of Finance highlighted an adjusted misstatement and an additional paragraph under Contingent Liabilities.

Mr Gregory advised the Committee that the audit of the 2013/14 Statement of Accounts was substantially complete. Some work was still being finalised, but the auditors anticipated issuing an unqualified audit opinion. One significant change had been made to the Statement and a number of minor changes. However, a number of objections had been received, so the audit would have to remain open until the objections had been dealt with. The first stage would be for the Council to respond and then Mr Gregory would have to decide what action to take next. He would, however, take a proportionate and sensible approach, and Members were assured that the audit remaining open would not affect the publication of the auditor's unqualified opinion.

Members were concerned about the motivation of some of the objectors to the accounts and noted that it would incur additional audit fees. Mr Gregory reassured the Committee that he would try to keep costs to a minimum and that any additional fees would have to be approved by the Audit Commission.

Mrs Lillington gave an update on bullet points listed on page 5 of the Audit Findings report, work which had been outstanding when the report was produced:

- The auditors were happy with the disclosures which had been completed, but seven Councillor declarations had not been returned.
- Review of provisions - the business rates calculation was considered reasonable, but had to remain open to further claims, hence an additional paragraph titled "Business Rates Appeals:" added to item 41 of the 'Notes to the Accounts'.
- An unadjusted misstatement had been identified relating to Tree Preservation Orders (TPOs). £200,000 of claims had been submitted for which the Council had created a reserve. Grant Thornton felt that monies for TPO-related claims estimated at £118,000 should be "above the line" rather than below.
- The review of outstanding evidence for revenues and employee remuneration substantive testing was complete.
- The auditors were working through information recently submitted on the initial sampling on the housing benefit certification claim. A couple of items had failed but this had no material impact on the auditors' opinion or the Statement of Accounts.
- The review of the final version of the financial statements was complete.
- Wording for the final management letter of representation would be approved at this meeting.
- The final version of the Annual Governance Statement was awaited, but there was nothing significant to report.
- The deadline for Grant Thornton to complete the Whole of Government Accounts work was 3 October but this was well in hand.

Mrs Lillington stated that the accounts were of a good quality and the working papers had been very good. The auditors would work with officers to see if it would be possible to reduce the length of the papers next year.

FINANCE AND AUDIT SCRUTINY COMMITTEE (Continued)

Members' attention was drawn to comments relating to heritage assets on page 13 of the report. A valuation due in 2013/14 had not been commissioned until 2014/15. The auditors felt there was scope for improved disclosure, and had taken assurance from an expert view that the value of assets would not be materially different from that held in the balance sheet at year end. However, it was pointed out that the valuation policy for tangible assets was not in strict compliance with IAS16 for Local Government bodies, and a statement around the role of the Chief Finance Officer did not comply either. These issues would be picked up in the coming year.

Finally, while the Value for Money conclusion was unqualified, attention was drawn to the final paragraph on page 18 of the report. The Council needed to understand why there were significant underspends and to consider now how and when it was going to achieve savings in the long term.

Responding to a Member's question about a reference in the covering report to streamlining, the Head of Finance advised the Committee that officers were looking at the internal process for managing inquiries and were also keen to ensure that anybody submitting requests would have a clear understanding of what information they could look at, timeframes and processes. Officers had also sought legal opinion so that they themselves would have more clarity on what they could and could not divulge.

Members discussed why underspends continued to crop up and the ongoing problem of slippage. Mr Gregory suggested that a lot of local authorities were in a similar position, partly because they had got into the mindset of having to not spend money. Appropriate project management techniques needed to be considered and there was some suggestion that the Committee could look closely at this and what training had taken place. The Head of Finance agreed to raise the issue of project management with the Senior Management Team.

The Committee asked that officers be thanked and congratulated for their work in producing another set of unqualified accounts, particularly in light of objections which had taken up a lot of time. Members were also pleased that the Portfolio Holder for Finance was in attendance and noted that he was confident that the issues raised would be addressed in the coming year.

Mr Gregory and Mrs Lillington were thanked for attending the meeting.

Resolved that

- (1) the 2013/14 Audit Findings Report be noted; and
- (2) the letter of representation be approved on behalf of the Council before the District Auditor issues his opinion and conclusion.

FINANCE AND AUDIT SCRUTINY COMMITTEE (Continued)

59. Council Agenda – Wednesday 24 September 2014

The Committee considered the audited Statement of Accounts 2013/14 report which was due to be presented to Council on 24 September 2014.

An unaudited Statement had previously been presented to the Finance and Audit Scrutiny Committee in July.

The report recommended that Council approve the formal Statement of Accounts for the year ended 31 March 2014, which would then be signed by the Councillor chairing the meeting.

The accounts had been closed in respect of the financial year 2013/14 and the outturn duly reported to the Executive in June.

Recommended that Council approves the formal Statement of Accounts 2013/14.

(The meeting ended at 6.50 pm)