

# Audit Committee



Date:	Thursday, 26 September 2013
Venue:	Town Hall, St. Annes
Committee members:	Councillor John Singleton (Chairman) Councillor Brenda Ackers (Vice Chairman) Councillors Ben Aitken, Christine Akeroyd, Howard Henshaw.
Other Councillors:	Councillor Karen Buckley (Portfolio Holder for Finance and Resources)
Officers:	Tracy Morrison, Paul O'Donoghue, Ian Curtis and Paul Rogers.
Other Attendees:	Tim Cutler (KPMG)

## 1. Declarations of interest

Members were reminded that any disclosable pecuniary interests should be declared as required by the Localism Act 2011 and that any other interests should be declared as required by the Council's Code of Conduct.

There were no declarations of interest.

## 2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 27 June 2013 as a correct record for signature by the Chairman.

## 3. Substitute members

There were no substitutions.

## 4. Annual Statement of Accounts 2012/13

Paul O'Donoghue, Chief Financial Officer, presented a report on the Annual Statement of Accounts for year ending 31 March 2013. He advised members that as Chief Financial Officer he was required to prepare the Statement of Accounts and ensure that they present a true and fair view of the financial position of the Authority. He reminded members that the majority of the committee had attended a workshop in July regarding the Statement of Accounts and since then,

KPMG had audited the Accounts. KPMG had recommended some presentational changes which were now reflected in the Accounts but there were no material or adjustable changes found necessary. Mr. O'Donoghue informed the committee that the accounts now contained the Independent Auditors Report, which included KPMG's opinion that, in their view, the financial statements both "give a true and fair view of the financial position of the Authority as at 31 March 2013", and "have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting". In taking members through the various sections of the Statement of Accounts, he drew the Committee's attention to the outlook for the future referred to in paragraph 7 on page 18 and, in particular, the table 'Forecast non-earmarked General Fund Reserves' which he considered significant. The table shows the revenue balances of £4.8 million at the end of 31 March 2013 which he considered to a healthy position. However, the table showed the underlying challenge faced by the Council in that with the current forecast that was approved by Council in March, the balances would be drawn upon significantly over the life of the forecast, and that this challenge would need to be addressed.

In regard to a question from Councillor Howard Henshaw about reducing the Pensions deficit, Mr. O'Donoghue informed members that Lancashire County Council (LCC) who administer the pension scheme, were in the final year of a triennial review which would look at reducing the deficit. In addition, there were a number of changes in the pipeline with the intention of reducing the deficit. Employee contributions would be increased from 1st April 2014 and final salary pensions scheme would be replaced with career average pensions with a view to reducing liabilities on the scheme.

Councillor Ben Aitken referred to Trade Debtors on page 81 and expressed surprise at the large amount of debts still outstanding. Mr O'Donoghue informed the committee that there would always be some debts outstanding as the Council was continuously raising invoices, and that the value of trade debts at the balance sheet date shown in the table on page 81 had reduced from £1.1m last year to £761k this year. He also stated that debts were followed up thoroughly and rigorously resulting in successful recovery of debts. He stated that within those debts were monies owed to the Council by other government bodies. He confirmed that he would let members have a more detailed breakdown of this year's trade debtors and recovery processes.

Following discussion it was RESOLVED

- (1) to approve the Statement of Accounts for 2012/13 and submit them to Full Council accordingly.
- (2) that the Audit Committee on behalf of the Council thank the Chief Financial Officer and the Finance Team for arranging the Statement of Accounts workshop and for the production of timely and accurate accounts.

##### 5. Report to those Charged with Governance (ISA 260) 2012/13

Tim Cutler, representing KPMG, presented a report which had been prepared by KPMG, which summarised

- i) The key issues identified during the audit of the Council's financial statements for the year ended 31st March 2013, and
- ii) KPMG's assessment of the Council's arrangements to secure value for money in its use of resources.

The report concluded, that having regard to the relevant criteria for principal authorities as published by the Audit Commission, that the Council has secured economy, efficiency and effectiveness. It also provides an opinion to verify that the Council has complied with all legal and regulatory frameworks with respect to its accounting arrangements resulting in an unqualified opinion.

Mr. Cutler commented that the smooth and efficient audit process had been assisted by the co-operation and high quality working papers produced by the Finance Team and the quick turnaround of audit queries.

Councillor Ben Aitken referred to the Local Authority Mortgage Scheme (LAMS) and the £1m s106 monies that had been earmarked to fund the scheme. He drew attention to the interest that was being lost by using the money in that way and whether the Council should continue participating in the scheme. Paul O'Donoghue, Chief Financial Officer, informed members that as a result of the nationwide Help to Buy scheme recently announced by central government, which was intended to deliver essentially the same outcomes as the LAMS scheme, that the Council had paused and had not yet progressed with a local LAMS scheme. The money that had been earmarked was, therefore, still within s106 reserves and was gaining interest for the Council.

After discussion it was RESOLVED that

- (1) the External Auditors Report to those charged with Governance for 2012/13, referred to as the ISA 260, be noted, and that KPMG be thanked for their work.
- (2) the Management Representation letter as contained in Appendix 4 of the report be agreed, and that the Letter be subsequently signed by the Chairman of the Audit Committee and the Chief Financial Officer and be sent to KPMG and included within the Statement of Accounts published on the Council's website.
- (3) the Audit Committee notes the work undertaken by the Council over the course of the last year resulting in a positive audit opinion of the Council's effectiveness and that a consistent approach has been maintained despite organisational changes and the current economic environment.

## 6. Constitution Review

Tracy Morrison, Monitoring officer, presented a report which informed the committee of a number of changes to the council's constitution that she had made under her delegated powers and for transparency; these matters were drawn to the attention of the Audit Committee for its information. In addition, there were three matters for referral to Council by the Audit Committee, one of which (procedure rules for Budget Council meetings) had already been before the Audit Committee and had been previously approved.

Ms Morrison referred the committee to the proposed change relating to 'Constitution - Amendments' on page 127 and reminded members of the current wording of paragraph 15.05 of the Constitution and how the proposed change would modify that paragraph. She advised that this would mean that members putting forward a Notice of Motion in respect of a constitutional change would not need to consult the Chief Executive. The Motion would be automatically debated at full Council. The Chief Executive did not object to the proposal.

At Ms Morrison's invitation, Ian Curtis, Head of Governance, explained the proposed changes to the contract procedure rules. The first tranche was presentational and set out types of contract against available procedures in table form. The other proposed change would allow the Monitoring Officer to approve the use of additional portals such as the Government eMarketplace. Approved portals would be listed on the Council's intranet. Paper tenders could be used, but only in exceptional circumstances.

Councillor Howard Henshaw raised the concept of the need for having tighter controls for contracts. Mr Curtis reminded the committee that the banding of contract values and the procedures applicable to them in the proposed revision were unchanged in substance from the existing rules and were aimed at balancing the risks and complexities involved in the tendering process. Other authorities used similar bandings, he continued.

Mr Curtis advised the Committee that the word 'or' in paragraph 4.5 on page 134 should be deleted and the words 'been submitted' be included after the word 'has' in 8.2 on page 136.

Following discussion, it was RESOLVED

- (1) to note those amendments to be made by the Monitoring Officer utilising her delegated authority.
- (2) to approve the referral of three matters, as recommended in the report, to Council for consideration.

#### 7. Regulation of Investigatory Powers Act 2000: Authorisations

Ian Curtis, Head of Governance, presented a report on the above. The Committee was reminded that Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarters to July and September 2012, there were no authorised operations.

It was RESOLVED that the Committee note the information in the report.

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