

**AUDIT COMMITTEE  
25 SEPTEMBER 2013**

Present: Councillors Birch, Clark, Cooke (Chair), Poole and Webb (as the duly appointed substitute for Councillor Davies)

Apologies for absence were received from Councillor Davies. Apologies for lateness were noted for Councillor Clark.

**11. DECLARATIONS OF INTEREST**

There were no declarations of interest made at this meeting.

**12. MINUTES**

**RESOLVED – (unanimously) that the minutes of the meeting held on 27 June 2013 be approved and signed by the Chair as a true record.**

**13. FINAL ACCOUNTS 2012/13**

The Head of Finance presented his report setting out the final accounts position for 2012-13. The Committee was asked to approve the Statement of Accounts on behalf of the Council in accordance with the Accounts & Audit Regulations 2012. Appended to the full report was the Financial Report 2012-13.

This report was considered together with the BDO Annual Governance Report (ISA 260) 2012/13 as set out in minute no 14.

A minor amendment to paragraph 10 of the covering report was noted concerning the omission of £296,000 dispersed in the year that correctly appeared on page 92 of the Financial Report 2012-2013.

The net under spend in 2012-2013 of £343,000 has been transferred to strengthen the General Reserve.

The pension fund has moved from a deficit of £27 million to a deficit of £32 million. This is a one-off assessment as at 31 March 2013.

At this juncture, Councillor Clark arrived.

Members asked questions and were given satisfactory assurances.

**RESOLVED – (unanimously) that the draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2012.**

**AUDIT COMMITTEE  
25 SEPTEMBER 2013**

**14. BDO ANNUAL GOVERNANCE REPORT (ISA 260) 2012/13**

The Head of Finance introduced his report to consider the matters raised by the Council's external auditors (BDO) in respect of their Annual Governance Report. This included an unqualified opinion of the Council's 2012-2013 accounts and an unqualified opinion on their value for money assessment of the Council.

The Final Report to the Audit Committee for the year ended 31 March 2013 was appended to the report.

The BDO Audit Manager was in attendance to explain the report which was considered together with the Final Accounts 2012/13 as set out in minute no 13.

He explained the content of each page of the Annual Governance Report and confirmed it was a positive report. He said that external audit had experienced difficulties leading to delays in performing their audit because a key contact had left the organisation. However, he thanked the Head of Finance and his team for resolving questions promptly.

Councillor Webb queried the provision for the MMI (Municipal Mutual Insurance Ltd.) 'Scheme of Arrangement' cited as an Audit Risk in the report. 15% of the liability has been provided for in 2012-2013 and a further 13% has been set aside within the Risk Management Reserve. He was informed that the Council had subsequently obtained an estimate from professional advisors since external audit had highlighted it in their audit plan in March 2013 and that external audit were satisfied the Council had included appropriate amounts and disclosures in respect of MMI historic insurance scheme within the financial statements.

Councillor Poole sought clarification that satisfactory processes were in place for using the purchase order system to prevent the risk of fraudulent authorisation from occurring. The External Auditor explained that the situation arose from someone undertaking a dual role. He has raised an initial enquiry with the Agresso company. The Chief Auditor added that the officer was substituting for another officer during maternity leave and that this weakness in security only existed for users granted substitution access of which there about 8 a year and not other users. He reassured the committee that the anomaly was being investigated and he would bring his findings back to the committee.

Councillor Birch thanked BDO for their comments on their value for money conclusion that they are satisfied in all significant respects that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

**AUDIT COMMITTEE  
25 SEPTEMBER 2013**

There was a discussion on the Local Authority Mortgage Scheme (LAMS) about disclosure as a financial instrument. The BDO Audit Manager confirmed that guidance from the Audit Commission just received supported the treatment in the accounts as shown. Councillor Cooke asked what the consequences would be when the Government introduces its latest 'Help to buy: Mortgage Guarantee scheme'. He was assured this was being reviewed alongside LAMS.

**RESOLVED – (unanimously) that the Audit Committee note the audit report and action plan.**

**15. CHIEF AUDITOR'S SUMMARY AUDIT & RISK REPORT**

The Chief Auditor presented his report on the recent audit findings of the National Fraud Initiative (NFI) data matching exercise and International Accounting Standards (IAS) work carried out. The report concluded that the National Fraud Initiative (NFI) data matching service had not identified any transactions that had led to pecuniary loss or needed to be recovered. As such, the overall audit assessment for controls over the prevention of fraud analysed by NFI was good. His report on the International Accounting Standards (IAS) testing had confirmed that controls were in place over the Council's 10 core systems and most were working effectively. The audit concern discovered by internal audit and reported in this report was the same significant concern over the raising and authorisation of purchase orders by officer substituting higher positions that was mirrored by BDO in their Annual Governance Report above (minute 14 refers). Again, the Chief Auditor assured the committee that whilst he is investigating the exact cause of this control weakness, audit has confirmed that none of the requisition transactions and authorisation transactions by same person were fraudulent, substitution was now only being allowed where imperative and this is about 8 times a year, it is now stressed to staff at time of setting them up substitution access that they must not both raise and authorise orders on Agresso and that budgetary controls are sufficient to detect any major abuse.

**RESOLVED – (unanimously) that the Audit Committee accepts the report.**

(The Chair declared the meeting closed at 19.04pm)