

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

At a meeting of the Audit Panel held on
Friday, 30 June 2006

PRESENT: Councillor MP Howell

Councillors: RE Barrett
RF Bryant
R Hall
SGM Kindersley
DC McCraith
Mrs HM Smith
RT Summerfield

Officers: Adrian Burns Chief Accountant
Greg Harlock Chief Executive
Paul Swift Policy and Performance Review Manager

Auditors: Mike Clarkson Internal Auditor
John Golding External Audit
Nigel Smith

Councillors Dr DR Bard, JD Batchelor, SM Edwards, Mrs DP Roberts and Mrs DSK Spink MBE were in attendance, by invitation.

1. ELECTION OF CHAIRMAN

Councillor RT Summerfield nominated and Councillor Mrs HM Smith seconded Councillor SGM Kindersley for Chairman. Councillor RF Bryant nominated and Councillor RE Barrett seconded Councillor MP Howell as Chairman. A vote was taken and Councillor Howell was duly elected as Chairman.

2. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 15 March 2006 was accepted as a correct record.

3. APPROVAL OF STATEMENT OF ACCOUNTS 2005/06

The Finance and Resources Director presented this item on the Statement of Accounts for 2005/06. He apologised to those members who had only just received their copy of the Statement of Accounts, but he thanked the Chief Accountant and his team for their sterling work in closing the accounts by 30 June, in accordance with the Government's new deadlines. This was the third year in a row that the deadline had been brought forward a month but it was expected that the deadline would remain the end of June for future years.

It was understood that the out-turn figures for the year would be reported to Cabinet in July in the traditional format, arranged by portfolio and compared to budget.

Corrections

The time pressures involved meant that there were a few errors that required correction:

- On page 36, the £6,697,010 for 2005/06 for "Other operating cash payments" under the heading of Cash Outflows was amended to £14,275,659 and the figure for "Cash received for goods and services" under the heading of Cash Inflows

was amended from £579,260 to £8,157,909.

- On page 42, the figure for "Employee Car Loans" was amended from £0 to £28,301, the figure for "Staff Salaries and Wages" was amended from £0 to £683 and the figure for Sundry Debtors was amended from £1,615,888 to £1,586,904.
- In the first sentence on page 49, the word "increase" was amended to "decrease".

The first two errors were re-classifications such that the subsequent totals remained the same.

Underspend

The capping of the Council Tax had led to the re-estimating of the budget originally approved in February 2005. The actual outturn for the General Fund was, therefore, compared to the revised estimate and there had been an underspend of £647,000 for 2005/06 in the amount needed from balances.

On the Housing Revenue Account, the out-turn was compared to original estimate. The DLO deficit of £185,000 had been reduced to £61,000, which was an underspend of £124,000.

In response to questioning the Chief Accountant explained that the £117,000 underspend in capital charges was due to more grant money being returned to the General Fund than expected.

Interest accrued and money in reserves

It was noted that the Council's investments had produced £1.8 million in interest. £6.2 million remained in the Council's general fund reserves while the reserves available for capital expenditure were £20.1 million.

Public questioning

It was understood that 29 August 2006 had been set aside as the day for the public to ask questions to external audit on the Statement of Accounts.

Reconciliation work

In response to questioning the Finance and Resources Director stated that in his view the Council would never have the capacity to ensure a full division of responsibilities or to complete all reconciliation work by the due dates at all times.

Orchard System

It was understood that out of the 14 outstanding recommendations for the Orchard System, 7 had been implemented, 4 were partially implemented and 3 were still to be done. The outstanding recommendations were now expected to be carried out, following the recent appointment of a new Property Services Manager. Councillor Mrs DP Roberts, the housing portfolio holder, expressed her satisfaction with the improvements in the DLO and expected that the newly appointed Property Services Manager would implement the outstanding recommendations.

Stock

It was understood that currently the DLO still had some stock and the Finance and Resources Director agreed to determine whether the figure of £0 for current value of stock referred to the DLO or DSO.

Pensions

The Chief Accountant explained that the £2 million increase in the pension deficit was due to the increase in liabilities which more than offset the increase in the value of the

assets, the increase in liabilities being due to the lower discount rate.

Provisions

It was agreed that the last sentence on page 20, regarding provisions, should be reworded for the sake of clarification.

Collection Fund

The Finance and Resources Director explained that the balance on the Collection Fund for the collection of Council Tax would be shared between the precepting authorities, proportionate to their precepts. It was noted that parish councils did not share in the balance.

Equity Share Housing

The Finance and Resources Director explained that he had met with a senior Civil Servants regarding equity share housing. It was expected with effect from 1st October 2006 pooling requirements for capital receipts from equity share housing would be eligible for reduction by the amount spent on affordable housing.

On the recommendation of the Finance and Resources Director, the Audit Panel **APPROVED** the 2005/06 Statement of Accounts, subject to audit, with no material changes.

4. STRATEGIC AUDIT PLAN 2006-09

Mike Clarkson introduced this item on the audit plan for 2006/07 to 2008/09. It was understood that the plan had been discussed by the Council's Management Team. The level of risk was determined by the robustness of the Council's processes and not necessarily the importance of the service.

Mike Clarkson agreed to find out why 5 audit days had been allocated for Outside Bodies for 2008/09.

5. ANNUAL AUDIT PLAN 2006/07

Audit Panel **AGREED** the 2006/07 Annual Audit Plan.

6. HEAD OF INTERNAL AUDIT OPINION 2005/06

Mike Clarkson introduced this item on the Head of Internal Audit Opinion 2005/06 by explaining that the purpose of the report was to meet the requirements set out in the CIPFA Code of Practice for Internal Audit. It was understood that the increase in the number of limited assurance systems was higher than in 2004/05, which was to be expected following the Council's review of the way it delivered its services after the capping of its Council Tax.

Significant Control Issues

The Finance and Resources Director reviewed the 14 key issues raised by Internal Audit for 2005/06. He suggested that it was unnecessary to retain all budget working papers as the relevant records would be kept on computer. It was recognised that the segregation of key functions would not be possible without the recruitment of new staff but it was accepted that Internal Audit should continue to highlight this potential risk.

Audit Needs Assessment

Mike Clarkson agreed to ascertain whether the Audit Needs Assessment carried out in March 2001 had been updated.

Percentage of responses to draft reports on time

It was understood that the Finance and Resources Director ensured that staff prioritised their work to ensure that draft reports would be responded to if urgent. However, urgent work would take priority if the responses to draft reports was non-urgent. This explained the actual performance of 42% compared to the target of 95%. Mike Clarkson agreed with this assessment. The panel noted this but decided the target for this performance indicator should not be altered.

7. ANNUAL AUDIT AND INSPECTION LETTER 2004/05

John Golding presented the Annual Audit and Inspection Letter for 2004/05. He introduced Nigel Smith, Relationship Manager from the Audit Commission. John Golding summarised the report. He agreed that the date of the Annual Audit and Inspection Letter should be included on the title page.

Planning performance

In response to questioning Nigel Smith explained that the Council needed to balance the speed with which it processed planning applications with the quality of the work carried out. It was understood that the Council had remained in the lower quartile regarding the speed of processing planning applications for both 2003/04 and 2004/05. Councillor Bard reported that action had been taken to improve this aspect of the Council's performance.

Definition of littering

Mike Clarkson agreed to find out whether the "littered land" described in paragraph 34 of the report referred to fly tipping or detritus, which would be expected on rural roads.

Performance management

Nigel Smith explained that the Council needed to develop a consistent approach to performance management. Councillor Kindersley suggested that it was the responsibility of each portfolio holder to ensure that this was done. John Golding explained that external audit would work with management team to develop an action plan to address the recommendations made in this report.

Grant claims

It was understood that a qualification letter was issued due to a housing benefit grant claim where the Council had been unable to give a full analysis.

Audit and inspection fee table

It was noted that the table on page 57 of the agenda was incomplete, as an extra row on certification claims and returns was required.

The Panel **NOTED** the Annual Audit and Inspection Letter 2004/05.

8. AUDIT AND INSPECTION PLAN 2006/07

John Golding presented the Audit and Inspection Plan for 2006/07.

CPA

Nigel Smith stated that he expected that the pilot on the CPA framework for District Councils would be complete by August 2006. He also expected that the new methodology would not see the need for an immediate revised corporate assessment for this Council.

Audit fees

Councillor Summerfield highlighted the significant increase in the audit and inspection fees. John Golding explained that the Government set the parameters for what external auditors could charge Councils and the charge would be in the middle of those parameters for 2006/07. He asserted that given the pressures on the Council's services following capping it would be irresponsible of the external auditors to lower the charge as this would lower the external audit function to an unacceptable level.

John Golding agreed to discuss with the Finance and Resources Director the possibility of altering the dates of the quarterly payments of the audit fee to three months later than currently scheduled.

9. PROGRESS REPORT ON 2005/06 AUDIT TO DATE

John Golding gave an update on the 2005/06 audit and he circulated a progress report.

The Policy and Review Manager explained that due to a lack of staff resources external audit had been asked to carry out the work required for a self-assessment of the Council's services.

10. ORAL UPDATE ON PROGRESS TOWARDS FINALISING USE OF RESOURCES ASSESSMENT AND DIRECTION OF TRAVEL ASSESSMENT

The Policy and Review Manager circulated a report on the Council's recent audit and inspections. He explained that Management Team had decided that the Council should focus on:

- Clear corporate priorities which reflect the needs of the District
- Quantified targets which will deliver the priorities
- Programmes, strategies or actions to deliver the targets
- Resource strategies to underpin the programmes or actions
- Performance Management systems and culture

In response to a question about comparing the costs of South Cambs with other councils, the Policy and Review Manager commented that national comparative information was available from the point which enabled councils to assess their costs. Alternatively the Daventry Group, which consists of similar sized local authorities, could provide a more accurate indication in certain areas of service, but not a national basis.

In response to questioning the Finance and Resources Director explained that the Council Leader had declared stronger budgetary controls to be one of the Council's priorities and as a consequence resources would be directed to improve the authority's score on the Use of Resources Judgement from a 2 to a 3.

11. EXPOSURE OF INTERNAL AUDIT SERVICE TO COMPETITION

Councillor RT Summerfield declared a personal and prejudicial interest in this item, as he receives a pension from Deloitte and Touche: the Head of Legal Services had advised a prejudicial interest should be declared on any discussions of a tender from Deloitte and Touche for the Council's contract for internal audit. Councillor Summerfield left the meeting and took no part in the discussion. Mike Clarkson from Internal Audit also left the meeting.

The Finance and Resources Director presented this report which invited the Panel to comment on the proposal to go out to tender to select the provider of the internal audit

service.

It was understood that Deloitte had been appointed five years previously following a formal tender exercise. The contract had been for four years and was then extended for a further two years to 31st March 2007 without going out to tender.

The Finance and Resources Director explained that all tenders would be evaluated on cost and quality and the proposed evaluation model was shared with the Panel. It was understood that the possibility of going into partnership with another local authority was being considered.

Councillors Edwards and Spink spoke in favour of going out to tender and the Audit Panel formally endorsed this approach.

The Meeting ended at 12.55 p.m.
