

AUDIT SUB-COMMITTEE

29th September 2010

**PRESENT:-**

**Conservative Group**

Councillor Timms (Chairman), Councillor Mrs. Patten (Vice-Chairman) and Councillor Ford.

**Labour Group**

Councillors Lane and Shepherd.

AS/9. **MINUTES**

The Open Minutes of the Meeting held on 16th June 2010 were taken as read, approved as a true record and signed by the Chairman.

AS/10. **DECLARATIONS OF INTEREST**

Councillors Mrs. Patten and Shepherd declared prejudicial interests in respect of the item on Etwall Leisure Centre – Assessment of Internal Control, as Members of the Etwall Leisure Centre Joint Management Committee.

**MATTERS DELEGATED TO SUB-COMMITTEE**

AS/11. **GRANT THORNTON: ISA 260 REPORT ON THE COUNCIL'S ACCOUNTS AND FINANCIAL STATEMENTS FOR 2009/10**

The Chairman welcomed John Roberts and Kyla Bellingall from Grant Thornton to the Meeting. Mr. Roberts spoke to the Audit of Accounts Annual Report to those charged with governance. There was recognition of the improvements achieved over recent years and Grant Thornton would be issuing an unqualified opinion on the accounts. After an executive summary, the report included detailed findings on the financial statements audit, key risks and misstatements. There were sections on financial performance, evaluation of key controls and the Annual Governance Statement. The report concluded with reference to international financial reporting standards, value for money and the next steps required by the Audit Sub-Committee. Appended to the report were schedules on the reporting requirements of ISA 260, adjustments to the financial statements and the action plan. In presenting the report, the representatives of Grant Thornton highlighted the successful VAT "Fleming" claim of £263,000, which would need to be reflected in the Council's accounts.

Arising from the report, there was discussion about the identified risk on bad debt provision and a context was provided against the overall level of bad debts involved. Clarification was provided about the Fleming test case, which gave local authorities the opportunity to submit VAT claims and there was discussion about loans and borrowing with other local authorities.

Members acknowledged the compliments provided by Grant Thornton to the staff involved in preparing the accounts.

**RESOLVED:-**

- (1) That the Council accepts the report submitted.***
- (2) That the Council accepts the adjustments to the financial statements as set out at Appendix 'B' to the report, including the noted amendment to Officer emoluments on disclosure omissions.***
- (3) That the Council accepts the submitted action plan and the Council's response, set out at Appendix 'C' to the report.***
- (4) That authority be given for the letter of representation to be signed by the Council's Chief Executive and Director of Corporate Services.***

AS/12. **SUMMARY OF INTERNAL AUDIT REPORTS 2010/11 (JUNE-AUGUST)**

It was reported that the Internal Audit Team undertook its work in accordance with the Council's Strategic Audit Plan. Reports and memoranda were produced for many areas, detailing recommendations for improvements in internal control. Recommendations were categorised depending upon the degree of risk identified. A summary of reports recommending improvements to potential high risk control weaknesses was submitted. The summary also included progress on the implementation of recommendations reported previously.

Details were provided of those areas that Internal Audit had undertaken work on for the previous period. It was noted that at the end of April, the Senior Auditor retired and the post had remained vacant, pending a review of options. In the meantime, the Authority had entered into a pilot arrangement with a neighbouring authority to buy in services in the short-term. A programme of audits had recently commenced and would largely be undertaken in the autumn months.

It was questioned whether the Council would stop accepting cheques as a method of payment. There was still a proportion of people paying in this way and it was envisaged at this time that cheque payments would not be stopped. A question was also submitted on the number of audit days completed, which was below the planned target. An assurance was sought on how this would

be addressed. Officers provided information on the partnership with Derby City Council for additional support and the planned audit work over the autumn months. The need to re-profile the audit plan was also questioned.

**RESOLVED:-**

***That the summary of internal audit reports be noted and that Officers take on board the suggested re-profiling of the audit plan.***

Note: At 4.40 p.m. Councillors Mrs. Patten and Shepherd left the Meeting.

AS/13. **NEW ETWALL LEISURE CENTRE – ASSESSMENT OF INTERNAL CONTROL**

Under Minute No. AS/6 of 16th June 2010, it was requested that a report be submitted on this matter. Each year, an audit was undertaken on the financial administration of the Etwall Leisure Centre. The new Centre opened in 2009 and operationally, this caused a change in both the scale and complexity of the administrative and financial control requirements. New computer systems were implemented to manage bookings and payments along with software to control the environmental aspects of the Centre. Initially, problems were experienced with the payments system and banking requirements. Internal Audit along with Accountancy and income management staff undertook work on these areas. The Director of Corporate Services requested Internal Audit to undertake a full system review of the Centre, beyond the annual probity audit. The system review had been undertaken and a copy of this audit report was submitted for the Sub-Committee's consideration. The report included observations relating to the cash receipting system, security, insurance, the management agreement and on general matters. Throughout the report, a number of audit comments and recommendations were made. It was noted that many of the recommendations had already been implemented. There was discussion about security improvements. It was noted that the report would also be submitted to the next Meeting of the Etwall Leisure Centre Joint Management Committee. It was suggested that an edited version also be provided to the Overview and Scrutiny Committee, given its earlier review of the Etwall Leisure Centre.

**RESOLVED:-**

***That the Committee accepts the Internal Audit report on the Etwall Leisure Centre and that an edited version be supplied for consideration by the Overview and Scrutiny Committee, as part of its follow-up review work.***

H.M. TIMMS

CHAIRMAN

The Meeting terminated at 4.45 p.m.