

Ad Hoc Accounts Committee

Minutes of a meeting held at County Hall,
Colliton Park, Dorchester on 24 September 2013.

Present:

Spencer Flower (Chairman)
Richard Biggs, Mike Byatt, Andy Canning,
Fred Drane, David Walsh, Peter Wharf and John Wilson.

Officers:

Paul Kent (Director for Corporate Resources), Peter Illsley (Head of Corporate Finance), Jim McManus (Chief Accountant) and Paul Goodchild (Senior Democratic Services Officer).

Also in attendance: John Oldroyd (Audit Manager, KPMG)

William Trite attended as an observer.

(Note: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Committee to be held on **23 September 2014**.)

Apology for Absence

1. An apology for absence was received from Robert Gould.

Code of Conduct

2. There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

Terms of Reference

3. The Committee noted their current terms of reference.

Minutes

4. The minutes of the meeting held on 25 September 2012 were confirmed and signed.

Assurance Regarding the Control Environment

Internal Audit Annual Report 2012/13

5.1 The Committee considered a report by the Director for Corporate Resources on the work of the Internal Audit Service for 2012/13 which provided an overall positive assurance opinion on the Council's framework of risk management, governance and internal control based upon the internal audit work undertaken during the year; the audit assignments undertaken by the South West Audit Partnership (SWAP) during 2012/13, including the respective assurance ratings and ranking of any recommendations made; and evidence in support of the "review of the effectiveness of internal audit" as required by the Accounts and Audit Regulations (England) 2011. The report was considered by the Audit and Scrutiny Committee on 11 June 2013.

5.2 The Director for Corporate Resources highlighted that the scope of the Internal Audit work undertaken in 2012/13 included specific audit assignments included in the Audit Plan as well as any reactive work assignments which had arisen from Calls to Account, Whistleblowing referrals or Special Projects. Members noted that the External Auditor had reviewed the work undertaken by Internal Audit, and had assessed the County

Council against each of the standards of the CIPFA Code of Practice. This independent assessment had found the County Council to be fully compliant in each respect.

5.3 It was explained that the Internal Audit Service had a number of key performance targets to measure service delivery and quality, which related to the Audit Plan, Reports and the Quality of Audit Work. Members noted that the Service was performing well against each indicator. The Audit and Scrutiny Committee had the task to assess its own effectiveness, but external assessments and reviews in the past had recognised the effectiveness and quality of the role it performed.

5.4 The Committee noted the view of the Internal Audit Manager that the County Council continued to maintain a sound risk management, governance and control environment.

Resolved

6.1 That the Head of Internal Audit's overall positive opinion given on the Council's risk management, governance and internal control environment for 2012/13 be noted.

6.2 That the assurance opinion given in respect of the "review of the effectiveness of internal audit", as required by the Accounts and Audit Regulations (England) 2011 be noted.

Corporate Governance Framework – Annual Compliance Assessment 2012/13

7.1 The Committee considered a report by the Director for Corporate Resources on the review of compliance with the Council's governance framework. It was a statutory requirement for the Committee to consider the findings of the review under the Accounts and Audit Regulations (England) 2011. The assessment had been amended since it was considered by the Standards Committee on 15 April 2013 and the Audit and Scrutiny Committee on 16 April 2013.

7.2 The Head of Corporate Finance introduced the report and highlighted the two changes which had been made following consideration by the Standards Committee and the Audit and Scrutiny Committee. 4(b) now reflected the decision that a further review of the use of evidence in Committee reports was to be undertaken in autumn 2013, and the areas and actions for improvement in 4(g) now reflected consideration by the Cabinet and the Audit and Scrutiny Committee in June and July 2013 respectively of the action plan prepared in response to the Internal Audit report on a failure to follow professional advice.

7.3 One member questioned the comment in the report that it was unnecessary for every member of staff to understand the role of statutory officers, and that it had been deemed sufficient for guidance to be available to explain the roles to those who needed to know. The Head of Corporate Finance explained that, while the model framework required the roles of statutory officers to be properly understood throughout the authority, in practice information on these roles was available and managers would be able to explain this to staff should they require it.

7.4 In response to a question on 2(h), which related to effective communication between members and officers in their respective roles, one member commented that the Policy Development Panel on Involving Local Members had been established to examine the issue as it had been considered a matter of concern by the Audit and Scrutiny Committee. The Head of Corporate Finance explained that it was a serious area of concern for some members, but not for all and so had been given an amber (partial) compliance rating.

7.5 Regarding 4(g), members noted that there had been a case where financial and legal advice had not been taken. The matter had been considered by the Cabinet and the Audit and Scrutiny Committee and a number of recommendations had been made so that staff were more aware that advice on these matters should be sought and followed. The situation would continue to be monitored and any issues would be followed up.

7.6 One member raised concern over 5(c) which related to developing the skills of members, officers and managers. He suggested that training of members was an area of concern as there was often poor attendance at training sessions. He was also concerned over the issue of member participation and development highlighted under 5(g). The Chairman explained that member appraisals would take place at regular intervals throughout the four year council term, and would be arranged in due course in conjunction with Group Leaders and the Chief Executive.

7.7 In response to a question on 7(o), one member asked what steps would be taken to ensure the provision of clear, well presented, timely, complete and accurate information to members, particularly with reference to Committee reports. The Director for Corporate Resources commented that the recent Local Government Association Peer Review had highlighted the need for shorter reports, and Cabinet reports would now be presented by the appropriate portfolio holder. It was noted that it was a challenge to make financial reports more accessible, but improvements would continue to be made.

7.8 The Director for Corporate Resources explained that work on DES was still progressing to make it an easier interface and to promote self-service. The County Council's methods of electronic file storage and access was also becoming more efficient, and the situation continued to be monitored through the Information Strategy Group. Members would be able to receive more training on DES should they wish.

Noted

Annual Governance Statement and Statement of Accounts 2012/13

8.1 The Committee considered a report by the Director for Corporate Resources which sought approval of the statement of accounts for the year 2012/13, the Annual Governance Statement that formed part of the accounts and the summary accounts.

8.2 The Director for Corporate Resources summarised the position set out within the statement of accounts. There had been a net overspend on revenue budgets of approximately £1.2M subject to the scheme of financial management (excluding the schools budget). Underspending on centrally managed budgets, including budgets for borrowing and redundancy costs, led to an underspend of just over £3.7M. After allowing for approved allocations from balances during the year, and the deferred impact of dealing with the equal pay issue provided for 2011/12, the general revenue balance carried forward to 2013/14 had increased by £0.7M to £16.3M.

8.3 Members noted that within the Schools Budget, largely funded by the Dedicated Schools Grant, there was an accumulated balance carried forward of £8.7M for schools and £2.4M for other services. Total general balances, including funding earmarked for capital purposes totalled £40.7M. Usable earmarked reserves at the end of 2012/13 amounted to £34.9M, plus £8.6M related to capital receipts not yet applied. Capital expenditure for the year amounted to £75.3M, including Revenue Expenditure Funded from Capital Under Statute.

8.4 In response to a question on capital expenditure, it was explained that this could be used to buy assets such as new vehicles, road infrastructure or replacement buildings. Capital expenditure had recently been used to fit out the new Dorchester Library which was leased from West Dorset District Council. The County Council would own the library part of South Walks House following a 25 year lease period.

8.5 It was highlighted that the accounts included a £0.3M increase in the impairment in respect of the funds deposited with former Icelandic Banks. Although this was the correct estimate when the accounts were prepared and audited, on 23 August 2013 a payment of approximately £2.2M was received in part-repayment of the balance outstanding from Heritable Bank. The accounts assumed 88% of the deposits would be recovered, but this payment took the total recovered to just over 94%. A further payment would be made later in the year. The result of the payment was that approximately £0.8M would be written back to the Authority's accounts.

8.6 Regarding the Dorset Pension Fund, members noted that the value of the Dorset Pension Fund assets had increased by almost £300M to £1.9bn at the end of March 2013. However, assumptions used by the actuary in arriving at the estimated scheme liabilities related to the County Council had a negative impact, which had led to an increase in the attributable deficit from £434M to £444M. This would not affect the level of general balances.

8.7 One member highlighted the treatment of capital debts on the disposal of schools which had become Academies. It was noted that any debt outstanding is retained by the County Council, even if the school transfers to Academy status with a revenue surplus. It was also noted that schools which transferred to Academy status often did so with short notice given to the County Council.

Resolved

- 9.1 That the Statement of Accounts for the year ended 31 March 2013 be approved.
- 9.2 That the Annual Governance Statement 2012/13 be approved.
- 9.3 That the summary of accounts 2012/13 be approved.

Report to Those Charged with Governance 2012/13

10.1 The Committee considered a report by KPMG to those charged with governance 2012/13 which reported the key issues identified during their audit of the County Council's financial statements for the year ended 31 March 2013 and their assessment of arrangements to secure value for money in the use of resources. The report had been considered by the Audit and Scrutiny Committee on 17 September 2013.

10.2 The Director for Corporate Resources highlighted that a key issue of the report related to the adequacy of the IT General control environment in place to support the operation of the DES system. KPMG had stated that in the previous year they had been unable to rely upon the Authority's IT control environment as a result of powerful super-user access. It had been acknowledged that improvements had been made within the control environment in relation to the control and monitoring of super-user access. Members noted that two high priority actions had been agreed: the inclusion of user authorisation of change requests in the workflow within the ICT service management system and ensuring that the established ICT change control process was followed, proportionally for small and large changes. An update on the position would be brought back to the Audit and Scrutiny Committee at a future meeting.

Ad Hoc Accounts Committee - 24 September 2013

10.3 The Audit Manager for KPMG drew attention to the key findings of the audit and the unqualified audit opinion of the financial statements and arrangements to secure value for money in the use of resources. There had been three key audit adjustments identified, one of which had been adjusted. The remaining two did not have a material effect on the audit opinion. He highlighted that the authority had addressed specific risk areas in an appropriate and timely manner.

10.4 The audit recommendations had been presented to the Audit and Scrutiny Committee on 17 September 2013, where the Committee had agreed that actions were in place, along with policies and procedures, to address issues in a timely manner. In summary the audit had been a very positive process.

Noted**Questions**

11. No questions were asked by members under Standing Order 20(2).

Meeting Duration: 11.15am to 12.00pm