



**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 27 SEPTEMBER 2010**

Present: Councillors Collins (Chairman), Newton (Vice Chair), Kreling, Simons, Stokes and Goldspink

Officers in attendance: John Harrison, Executive Director – Strategic Resources
Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Gemma George, Senior Governance Officer

Also in attendance: Julian Rickett, PricewaterhouseCoopers
Councillor Seaton, Cabinet Member for Resources

1. Apologies for Absence

Apologies were received from Councillor Harrington and Councillor Swift wished for it to be minuted that he was unable to attend as substitute.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. External Audit: 2009/10 Report to Those Charged with Governance and Statement of Accounts

The Head of Corporate Services presented a report to the Committee which had been produced following completion of the External Audit on the Statement of Accounts 2009/10 by PricewaterhouseCoopers (PwC).

The report followed on from the consideration and approval of the Council's Statement of Accounts by the Audit Committee on 28 June 2010 and its purpose was for the Committee to receive and note the "2009/10 Report to Those Charged with Governance", to make any necessary recommendations in light of the report and to receive and approve the audited Statement of Accounts.

Julian Rickett from PwC addressed the Committee and provided Members with an overview of the Executive Summary Report, which had been produced by PwC. The report summarised the results of the 2009/10 audit and it set out the matters arising from the audit of the financial statements, the results of the work undertaken by PwC under the Code of Audit Practice in order to support the Value for Money conclusion. The report also provided an audit fee update.

The work undertaken by PwC during the year had been performed in line with the plan which had been presented to the Audit Committee in February 2010. A number of reports had been issued during the audit year which highlighted recommendations for improvements and detailed findings from works undertaken. The most important issues and recommendations which had been discussed over the course of the works undertaken were highlighted in the Executive Summary section of the Report.

The 'Financial Statements' section of the report highlighted the most significant of the accounting issues, which had been identified and addressed during the audit. These issues were 'Accounting for PFI schemes' where it was highlighted that a certain balance that the Council had paid to the PFI contractor as up front contributions in 2006 and 2007 had not been treated correctly. The amount had been included within tangible fixed assets and the finance lease creditor and it should not have been included within either balance. Also 'Cash balances' where it had been noted that a balance of £204,000 had been included within cash related to cash collected by Cross Keys Homes, but had been recorded on the Council's Spectrum cash collection system. The Council had included a corresponding credit balance in the draft accounts. As the cash was not an asset of the Council, the final draft of the accounts had been adjusted to remove both the cash balance and the corresponding credit.

The 'Value for Money in the Use of Resources' section of the report, detailed the 'Value for Money Conclusion'. This highlighted that work on the Comprehensive Area Assessment (CAA) had now ceased and that the Audit Commission would not be issuing new scores for the use of resources assessment. However, PwC were still required by the Code of Audit Practice to provide a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Based on the work undertaken, an unqualified value for money conclusion was to be issued.

With regards to 'Use of Resources', following the Government's announcement that the CAA was to be abolished, work on Use of Resources for CAA had also ceased at the end of May 2010. Scored judgements from the work performed by PwC on the Use of Resources Assessment was therefore unable to be reported as the work had not been completed. However, the majority of the work had been completed on the assessment prior to May 2010 and the significant findings from the 2009/10 use of resources work were highlighted in the 'Value for Money in the Use of Resources' section of the report. These findings highlighted areas of good practice and also areas requiring improvement.

The 'Audit Plans and Fee Update' section of the report was also highlighted to the Committee and it was advised that all works had been completed within the budget that had been set in April 2010.

There was one misstatement that had been detected through the audit and it was advised that this misstatement was not considered to be material to the financial statements.

Members were invited to comment on the report and the following issues and observations were highlighted:

- The Executive Director – Strategic Resources positively commented on the Statement of Accounts 2009/10 and stated that he was extremely proud of the work which had been undertaken
- Members further positively commented on the Statement of Accounts and it was highlighted that in the past the accounts had not been as good as they were currently
- Members expressed concern at the lack of information provided by the schools. Members were advised that PwC had worked hard in order to extract the required information from the schools however, the time of year was not ideal with it being during the school holiday time (June/July). There had also been issues with confirmation being received from the banks with regards to the number of schools
- Members questioned whether the process could be brought forward in order to accommodate the school holiday times. Members were advised that this

would be a better situation, however as previously mentioned, there had also been problems with the information provided by the banks. Therefore bringing the process forward would not mean that all the problems would be solved

- Members further questioned why the Private Finance Initiative figures varied from year to year. Members were advised that the repayment levels were not at a static level but varied between years. This was factored into the contracts

ACTION AGREED:

The Committee:

- (1) Received the "2009/20 Report to those charged with Governance" from PricewaterhouseCoopers (PwC) the Council's external auditors;
- (2) Approved the Chief Finance Officer's recommendation in paragraph 4.5 that the unadjusted items in the report were adjusted in 2010/11; and
- (3) Received and approved the audited Statement of Accounts 2009/10.

4. Feedback Report

The Chief Internal Auditor submitted the latest Feedback Report for consideration.

Members were advised that there was only one specific issue requiring action which had been highlighted at any of the previous meetings of the Audit Committee and that was the subject of raising the profile of Internal Audit. Discussions would be had with Democratic Services and this issue would be progressed, with the possibility of linking in with the Neighbourhood Councils.

The Committee was further advised that a presentation would be given to all Members, preferably at the All Party Policy meeting, which would help to raise the profile of Internal Audit.

The Committee commented on previous subject items and all Members were happy with the information provided.

ACTION AGREED:

The Committee noted the Feedback Report.

5. Work Programme 2010 / 2011

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2010 / 2011 for consideration and approval.

Members were advised that an External Audit: Joint Audit and Inspection Plan was due to be undertaken on 7 February 2011. Going forward this would not exist and it would just be an audit plan.

Members queried why the minutes from the previous meeting held on 6 September 2010 had not been included in the agenda for discussion and sign off. Members were advised that due to statutory deadlines the turn around time between the meeting held on 6 September and the current meeting had not been long enough to enable the minutes to be produced, checked and included.

The Committee commended the hard work undertaken by all those involved in the production of the 2009/10 Report to those charged with Governance.

ACTION AGREED:

The Committee noted and approved the 2010 / 2011 Work Programme.

7.00pm - 7.25pm
Chairman