



<u>Committee and Date</u>
Audit Committee
17 September 2009
4.45 p.m.

<u>Item/Paper</u>
3(ii)
Public

MINUTES OF THE MEETING HELD ON 2 JULY 2009

4.45 pm – 6.55 pm

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Present

Messrs P M Adams, C J Mellings, M Whiteman, B B Williams (Chairman) and M L Wood.

Ms Elaine Marpole and Ms Pauline Suchy of the Audit Commission were also present.

Chairman's Opening Remarks

The Chairman welcomed members of the Committee, representatives from the Audit Commission and other officers to the meeting of the Audit Committee.

The Director of Resources explained how the agenda would run. Reports 5C3 - 5C10 would be taken together. It was agreed for the Section 151 Officers to give a brief overview and answer any questions in relation to their particular Authority.

1. Apologies for Absence

1.1 There were no apologies for absence, all members being present.

2. Declarations of Interest

2.1 No declarations of interest were made.

3. Minutes

3.1 **RESOLVED:** that the minutes of the meeting held on 20 May 2009 be approved and signed by the Chairman as a true record.

4. Role of the Audit Committee

4.1 The Committee received the report of the Director of Resources – copy attached to the signed minutes – which provided members with a brief overview of the core functions to be undertaken by the Audit Committee together with detailed Terms of Reference.

4.2 The Chairman requested that an early training session be held for members of the Audit Committee.

4.3 It was agreed to discuss timing of future meetings at the end of the meeting.

4.4 **RESOLVED:** that the Terms of Reference currently in place for Audit Committee be noted.

5. Review of Annual Statement of Accounts Reports 2008/09

5.1 Revenue Outturn 2008/09 (Shropshire County Council)

- 5.1.1 The Committee received the report of the Director of Resources – copy attached to the signed minutes – which provided details of the revenue outturn position for Shropshire County Council for 2008/09.
- 5.1.2 The Director of Resources took members through the report. She highlighted the fact that Economy and Environment Services overspend was almost entirely due to the floods of September 2008 and the severity of the winter weather. It was, however, hoped that funding would be identified to transfer to and build up, a corporate severe weather reserve. This, of course, was not the only pressure on budgets.
- 5.1.3 The Chairman reported that at the annual CIPFA conference it had been reported that the economic outlook was discouraging so he was gratified that the authority was only ½% overspent however, he was concerned about the level of balances which were at the lower end of what the Audit Commission consider the minimum.
- 5.1.4 In response to a query, the Director of Resources confirmed that the Registration Service had undergone a restructure during the year including the implementation of new systems which had impacted on the figures for this year but these would stabilise in future years.
- 5.1.5 A query was raised about the reason for the significant increase in the amount of spend by Highways between 2007/08 and 2008/09. In response, the Director of Resources explained that the difference in spend between years did not matter as much as the Outturn for the year. Highways costs could vary from year to year because of the way the budget worked and it very much depended on priorities. It was much better to compare actual spend against budget. She went on to explain that the appendices to the report showed the reasons for the most significant differences between one year and the next.
- 5.1.6 Members were pleased that there would be sufficient reserves to put back into a severe weather fund.
- 5.1.7 In response to a query the Director of Resources agreed to provide further information on the levels of deficit/surplus on individual schools balances.
- 5.1.8 **RESOLVED:**
- A. That the Outturn for the Revenue Budget for 2008/09 be noted.
 - B. That the level of the general balance be noted.
 - C. That the level of school balances be noted.

5.2 Capital Outturn 2008/09 (Shropshire County Council)

- 5.2.1 The Committee received the report of the Director of Resources – copy attached to the signed minutes – which informed members of the full year capital expenditure, slippage and financing of the Shropshire County Council 2008/09 capital programme and the revised 2009/10 Shropshire Council capital budget taking into account slippage and budget increases for 2009/10 as a result of additional funding.

- 5.2.2 The Director of Resources took members through the report. She informed members that capital expenditure for 2008/09 had been £60.3 million which represented almost 90% of the revised budget, but there had still been slippage of £7.7million. The Director of Resources expanded on the issues surrounding some of the most significant increases to service budgets.
- 5.2.3 The Chairman thanked the Director of Resources and stated that 89% capital expenditure was a good achievement for the Authority.
- 5.2.4 **RESOLVED:**
- A. That the 2008/09 outturn capital expenditure be noted.
 - B. That Full Council be recommended to carry forward the slippage of £7,698,591 from the Shropshire County Council 2008/09 capital programme to the 2009/10 Shropshire Council capital programme.
 - C. That Full Council be recommended to approve the net budget increase of £1,117,293 to the Shropshire County Council 2008/09 capital budget.
 - D. That Full Council be recommended to approve the budget increases of £1,369,688 for 2009/10, £855,100 for 2010/11 and £724,000 for 2011/12 to the capital programme for Shropshire Council.
 - E. That Full Council be recommended to approve the revised 2009/10 Shropshire Council capital budget of £94,377,473. (Appendix 3).
 - F. That Full Council be recommended to approve the revised 2010/11 Shropshire Council budget of £99,570,171 and 2011/12 budget of £8,744,000 (Appendix 3).
 - G. That a further report be brought forward for approval detailing slippage from the five constituent District/Borough Authorities following closure of their 2008/09 capital programmes.

5.3 Reserves, Provisions and Balances (Shropshire County Council)

- 5.3.1 The Committee received the report of the Director of Resources – copy attached to the signed minutes – which identified the County Council's reserves, provisions and balances as at the end of March 2009 and explained the purposes for which they were held.
- 5.3.2 **RESOLVED:**
- A. That the level of the County Council's reserves, provisions and balances and the purposes for which they are held be noted.
 - B. That the level of School Balances which had reduced from £8,446,000 to £7,552,000 be noted.
 - C. That the General Fund Balance which had reduced from £2,721,000 to £2,250,000, as detailed in Appendix 2, be noted.
 - D. That the specific revenue reserves and provisions which had increased from £19,272,000 to £21,983,000, as detailed in Appendix 1, be noted.
 - E. That the Council's present policy on reserves be noted.

5.4 Statement of Accounts 2008/09

Shropshire County Council

- 5.4.1 The Committee received the reports of the Director of Resources and Section 151 Officers for the District/Borough Councils – copies attached to the signed minutes – which provided details of the reason for the most significant changes between the 2007/08 Accounts and the 2008/09 Accounts.
- 5.4.2 The Director of Resources circulated a Summary of the Key Issues – copy attached to the signed minutes. She took members through the summary sheet and explained the figures contained therein.
- 5.4.3 The Chairman expressed his concern that the Committee had been charged with approving all of the Statement of Accounts without having had the opportunity to input into them. Indeed, there had been such a large volume of paperwork it would not have been possible for members to have absorbed every single figure yet they had to give a guarantee to the new Council that they had considered the Statement of Accounts and had taken into account the assurances of the Section 151 Officers from all the authorities and were satisfied that they could agree the accounts.
- 5.4.4 In response, the Director of Resources explained that the Section 151 Officers had been in post for the whole year and they would have ordinarily prepared the accounts using practices that they were familiar with so she had been assured that they were consistent when constructing the accounts.
- 5.4.5 In response to a query relating to earmarked reserves for Waste Management, the Director of Resources explained that this was made up of two elements, for waste management, reserves of £435K had been set aside for ongoing capital works, and a 'smoothing' reserve of £8million for Shropshire Waste Partnership to cover the rising costs as new assets came on line.
- 5.4.6 The Chairman queried where the capital sum from the sale of North Shropshire District Council's housing stock appeared in the accounts as he had hoped this sum would be used for projects in North Shropshire. The Section 151 Officer for North Shropshire District Council explained that some of this had been used to cover the authority's debts and some had been spent on the health centre and lorry park. The Director of Resources reported that the remaining capital now appeared in Shropshire Council's budget for 2009/10.
- 5.4.7 The Director of Resources commented that one area of concern which had caused difficulties when closing the accounts had been the transfer of five Revenues and Benefits systems to one new system. The Audit Commission had done a special piece of work around this issue which would be discussed later in the meeting.
- 5.4.8 The Director of Resources explained that a problem had occurred around the way in which exemption data had been transferred to the Northgate system. This had led to individual accounts incorrectly appearing as though they were in arrears. This had however been corrected in the accounts and Northgate were working on cleansing the data.
- 5.4.9 The Director of Resources unreservedly assured the Committee that the Statement of Accounts 2008/09 for Shropshire County Council were a correct record.

Shrewsbury and Atcham Borough Council

- 5.4.10 The Section 151 Officer for Shrewsbury & Atcham Borough Council took members through the main points of the report and assured the Committee that to the best of his knowledge and belief the Statement of Accounts 2008/09 for Shrewsbury and

Atcham Borough Council were a correct record and accurately reflected the last financial year.

North Shropshire District Council

- 5.4.11 The Section 151 Officer for North Shropshire District Council took members through the main points of the report and assured the Committee that she had used the same processes as in previous years and that to the best of her knowledge and belief the Statement of Accounts 2008/09 for North Shropshire District Council were a correct record and accurately reflected the last financial year.
- 5.4.12 The Director of Resources explained that the reduction in income from Land Charges and Planning had been taken into account and had been reduced to take account of expected reductions. It was anticipated that the Authority would have to find extra funds to cover growth in Concessionary Fares.

The Chairman wished the Section 151 Officer for North Shropshire District Council a long and happy retirement.

Bridgnorth District Council

- 5.4.13 The Section 151 Officer for Bridgnorth District Council took members through the main points of the report and assured the Committee that to the best of his knowledge and belief the Statement of Accounts 2008/09 for Bridgnorth District Council were a correct record and accurately reflected the last financial year.
- 5.4.14 The Director of Resources reported that the advice from CIPFA as of that day was that Landsbanki would repay 83% to creditors. As this was a material change, the accounts would be adjusted to reflect this.
- 5.4.15 It was therefore **AGREED** to add an additional recommendation noting that the most recent advice from CIPFA was that Landsbanki would repay 83% to creditors rather than the 95% which had previously been advised, and that the Statement of Accounts would be adjusted to this affect before they were published.

South Shropshire District Council

- 5.4.16 The Section 151 Officer for South Shropshire District Council took members through the main points of the report and assured the Committee that the Statement of Accounts 2008/09 for South Shropshire District Council had been produced in the same way as in previous years and that to the best of her knowledge and belief they were a correct record and accurately reflected the last financial year.
- 5.4.17 Concern was raised about the amount of overspend on Members Allowances. However it was confirmed that the Members Allowance Scheme had been reviewed during the year which had resulted in the overspend. A number of additional Committees had also been established in the run up to unitary.

Oswestry Borough Council

- 5.4.18 The Section 151 Officer for Oswestry Borough Council took members through the main points of the report and assured the Committee that to the best of his knowledge and belief the Statement of Accounts 2008/09 for Oswestry Borough Council were a correct record and accurately reflected the last financial year.
- 5.4.19 **RESOLVED:**

1. That the draft 2008/09 Statements of Accounts for all 6 Authorities be received and commented upon to Full Council as appropriate.

2. That the 2008/09 Statements of Accounts be audited by the Audit Commission during July and August and that any material changes required as a result of the audit would be reported to the Audit Committee and Council.
3. That the requirement for formal publication of the audited 2008/09 Statements of Accounts by the 30 September 2009 (Accounts and Audit Regulations 2003 as amended 2006) be noted.

5.5 Reserves and Provisions (Oswestry Borough Council)

5.5.1 The Committee received the report of the Section 151 Officer for Oswestry Borough Council – copy attached to the signed minutes – which provided members with details of the one off resources currently held as reserves, provisions and balances by the Authority as at 31 March 2009, taking account of the outturn position for 2008/09.

5.5.2 RESOLVED:

- A. That Full Council be recommended to note the level of the Authority's reserves, provisions and balances and the purposes for which they are held.
- B. That Full Council be recommended to note that due to the creation of a new Unitary Authority for Shropshire, on 1 April 2009, it is no longer necessary for the Council to hold balances in the following reserves, as a result the sums held in these reserves have been transferred to the Oswald Park Reserve or VER reserve; Civic Regalia Reserve; Efficiency Reserve; Emergency Planning Reserve; Homelessness Reserve; Insurance Reserve; Planning Appeals Reserve; Station Building Reserve.

It was agreed to take agenda item 7 Revenues and Benefits Issues next.

6. Revenues and Benefits Issues

- 6.1 The Head of Exchequer Services tabled a briefing paper - copy attached to the signed minutes – which gave Members an update on Revenues and Benefits Issues.
- 6.2 The Head of Exchequer Services expanded on the briefing paper and reported that a minor issue had arisen when transferring Direct Debit Mandates for Lloyds TSB account holders from the old District and Borough accounts to Shropshire Council but this had been resolved. She went on to explain that another issue which had arisen had been due to an anomaly in the exemption tables which had occurred when benefits payments and entitlements were being transferred from the legacy systems.
- 6.3 The Chairman thanked the Head of Exchequer Services for her comprehensive review. In response to a query the Head of Exchequer Services confirmed that benefits services had been closed for seven days during May 2009 which had had little impact for the vast majority of clients but it had delayed new claims, however there had been arrangements in place to pay emergency cases.
- 6.4 The Head of Exchequer Services informed Members that agency staff had been employed to assist with the clearance of backlogs of items, currently 190 items were pre-10 June 2009 and the rest were from 10 June 2009 onwards. She explained that any recovery would be delayed until they were satisfied that the arrears were correct. If they were incorrect, the accounts would be cleansed and recalculated. It was hoped to begin recovery by the end of July 2009.
- 6.5 Members congratulated the Head of Exchequer Services for a job well done and requested an update at the next and future meetings.

6.6 **RESOLVED:** that the update be noted.

7. **Housing Benefits Claim Production**

7.1 The Committee received the report of the Audit Commission Manager – copy attached to the signed minutes. The Audit Commission Manager wished to pass on her grateful thanks to the Head of Exchequer Services and the Director of Resources who had been most helpful and cooperative. Although marked draft, it was confirmed that this was the final version of the report.

7.2 The Audit Commission Manager explained that local authorities claimed reimbursement from Central Government for benefit claims they had paid and the Audit Commission had to make an assessment about the accuracy of this claim. She explained that it was a very complicated form to complete. Each cell had a different percentage subsidy so it was vital that the correct amounts were entered into the correct cells otherwise this could lead to over or under payment. The Audit Commission therefore took samples of the data to ensure it was correct, and any discrepancies were qualified. The rules were very complex and changed every year. If there were any errors on the claim, the Department for Works and Pensions could reduce the amount of reimbursement paid to the Local Authority.

7.3 The Audit Commission Manager stated that the Authority had been very proactive by speaking to officers at the Audit Commission before implementation of the new system. She explained that the Audit Commission's findings were only a snapshot of what had happened in February and March but it was felt that implementation had progressed well especially given the short timescale and complications of migrating five lots of data to one system.

7.4 The Audit Commission Manager reported that the priorities for completing the claim were ensuring data accuracy; looking at overpayments on a case by case basis; solving the problem of producing two claims for overpayments that were identified post closedown; and, putting procedures in place for interfacing with the Revenues and Benefits system. It was recommended by the Audit Commission that the Authority agree the best way forward with the Department for Work and Pensions.

7.5 Members congratulated the Director of Resources for being proactive and thanked the Audit Commission Manager for her report and requested on going updates.

7. **RESOLVED:** That the report be noted.

8. **Audit Committee Training Plan 2009/10**

8.1 The Committee received the report of the Head of Audit Services – copy attached to the signed minutes – which set out a proposed training plan for Members.

8.2 The Head of Audit Services explained that it was hoped to provide training in key areas before they were due to be considered by the Committee to ensure that Members were well prepared and informed in order to carry out their role effectively. The training plan was, however, not cast in tablets of stone and could be amended during the year and any additional items added, if appropriate.

8.4 Members were advised to read and retain the CIPFA guidance that had been provided to them. In response to a query the Head of Audit Services agreed to explore any appropriate CIPFA training courses available for Members who wished to attend.

8.5 It was agreed that the first two training sessions would take place at 2pm (or after Full Council) on 24 September 2009; and 4.45pm on 19 November 2009, respectively. The Chairman reported that the first training session would be open to all Members of the Council.

8.6 It was further agreed to include Treasury Services and Investment Management training at the second session on 19 November instead of Contract Rules training which would be held later in the year.

8.7 **RESOLVED:** that the proposed training plan be approved, subject to the above.

9. **Timing of Meetings**

9.1 It was agreed that future meetings of the Committee would be held as follows:

17 September 2009 4.45pm

26 November 2009 4.45pm

4 February 2010 4.45pm

24 March 2010 4.45pm

10. **Audit Committee Work Plan 2009/10**

10.1 The Committee received the Audit Committee Work Plan for 2009/10 – copy attached to the signed minutes.

10.2 The Head of Audit Services explained that the work plan was not cast in tablets of stone and could be amended to include additional items as required.

10. **RESOLVED:** that the Audit Committee work plan 2009/10 be approved.

11. **Exclusion of the Press and Public**

11.1 It was **RESOLVED** that under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to agenda items 12 - 13 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the category specified against the items.

12. **Minutes (Exempted by categories 1 and 3)**

12.1 **RESOLVED:** that the exempt minutes of the meeting held on 20 May 2009, be approved and signed by the Chairman as a correct record.

13. **Internal Fraud Update (Exempted by category 1)**

13.1 The Audit Manager confirmed that there was nothing to report.

Signed.....(Chairman)

Date.....17 September 2009.....