

**BRECKLAND COUNCIL**

**At a Meeting of the**

**AUDIT COMMITTEE**

**Held on Friday, 27 June 2008 at 9.30 am in  
The Bowls Club Room, Watton Sports Centre, Dereham Road, Watton**

**PRESENT**

Mr R.P. Childerhouse  
Mr P.J. Hewett

Mr C.R. Jordan (Chairman)  
Mr R.G. Kybird

**In Attendance**

Robert Barlow  
Mark Finch  
Susan L. Smith  
Elaine Wilkes

- Assistant Director (Governance)  
- Chief Accountant  
- Senior Accountant  
- Senior Member Services Officer

**28/08 APOLOGIES**

An apology for absence was received from Mr. M. Fanthorpe.

**29/08 DRAFT STATEMENT OF ACCOUNTS (AGENDA ITEM 5)**

The Chief Accountant presented the report and the draft Statements of Accounts, which had been prepared in accordance with the Accounts and Audit Regulations and in accordance with proper practices issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP).

It was noted that there had been a number of further changes to the SORP this year, which primarily affected the accounting treatment of fixed assets, with the revaluation reserve and capital adjustment account replacing the fixed assets restatement account and the capital financing account.

The Committee made a detailed examination of the Statements of Accounts, during which the following matters were discussed:

A correction to the heading in the Table of Contents to read "Statements of Accounts" was noted.

In the Explanatory Foreword (pages 1-5), it was explained that there had been no effect on last year's figures as a result of the accountancy regulatory changes.

It was felt that it would be helpful if the note on the Collection Fund (page 1) was expanded to clarify the relationship with Council Tax. It was noted that town and parish precepts were included within the Collection Fund.

Clarification was sought on the difference between the "Original" and "Probable" figures contained in the Income & Expenditure

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Account (page 3). It was explained that the Original figures related to the budget as approved by the Council at the start of the year at the time of setting of the Council Tax for 2007-08. The Probable figures were those as revised during the year within the scope of the budget and those amendments were incorporated into the budget for 2008-09 approved by the Council in February and March 2008. This information provided a useful comparison with the previous year but it was noted that it was not an "audited" item as such.

A member thought it was notable that the final outturn figures were very close to the original budget forecast.

So far as the item on loss on disposal of fixed assets was concerned, it was explained that this included assets transferred to housing associations to provide additional benefits to the community (Note 2, page 16). Members suggested that this note should be expanded to emphasise the community benefit realised from such disposals.

It was further explained that the use of the reserves from the Budget were subject to approval during the year but any under spend in a budget at the end of a year (for example, on hired services) would be returned to the General Fund for the next year, when budgets would be reset. Grants were not affected by the year end cut-off and the Council Tax precept set at the start of a year could not be changed.

In summary, the information showed that the Council looked at what it thought it would spend and what had changed and demonstrated that it was managing its budget. However, the core budget was not affected.

A key note was the relationship between the General Fund deficit (£2.7m) shown in the outturn balance for 2007-08 and the actual General Fund balance being carried forward over the previous year (£4.8m, an increase of £902,000 over the previous year). The reason for the difference in these figures was that the Income and Expenditure Account (page 11) was a single consolidated statement of income and expenditure relating to all the Council's functions which, under the requirements of the SORP, was then adjusted by removing certain elements (such as depreciation), ensuring that there was no effect on the Council Tax. The same process was applicable to the revaluations resulting in impairment charges being made to services. This was a somewhat complicated accounting procedure and members felt that this needed to be clearly explained in the presentation to Council. The notes to the Statement of Movement on the General Fund Balance (pages 3 and 11) expanded on the various elements of the accounting procedure and Note 17 on page 23 gave a fuller explanation of the adjustment of items from the Income and Expenditure Account as part of the reconciliation process on the General Fund Balance.

Members suggested it would be useful to add a note in the Explanatory Foreword under the heading of General Fund to

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highlight the net increase and cross-reference it to the further information given on page 11 and in Note 17 on page 23.

A member drew attention to the new term "Impairment of Fixed Assets" shown in Note 17 on page 23. It was explained that this was a change required under the new SORP procedures and was the term now to be used to reflect changes in the capitalised value of fixed assets from revaluations of those assets, which could result in an upwards or downwards valuation. The notes on pages 7-9 gave fuller information. The presentation to be made to Council would use a simpler analogy to explain the position.

A member asked about the Revenue Support Grant (RSG). It was explained that although the amount of RSG had gone down, this was offset by the redistribution of the National Non-Domestic Rate (NDR) settlement, which had increased. All Councils had been affected similarly by the downward trend in RSG but increased NDR.

A question was also asked about how the parish council precepts were treated in the accounts. It was explained that the precepts were paid to the towns and parishes via the Collection Fund but they did not share in any balances in the Collection Fund resulting from collection performance.

A correction was noted on page 12 (Statement of Total Recognised Gains and Losses) removing the brackets on the figures in the line for Deficit on Collection Fund.

Members noted that the Statement on page 12 reflected the overall increase in the balance sheet over previous years, which was felt to be a key message that needed to be highlighted. It was also noted that the figures reflected upwards-only revaluations on assets, an excellent return on the Dereham High Street investment, as well as other good investment returns.

It was explained that the Council was restricted in the number of items it was able to include in the Statement of Total Recognised Gains and Losses and therefore some of the background information to the figures was not shown, for example in relation to the capital adjustment accounts.

So far as the Balance Sheet on page 13 was concerned, it was suggested the word "usable" be deleted from the line "Usable Capital Receipts" in future, as it was felt this would simplify the reference. It was explained that the capital reserves were used to fund the capital programme. It was also noted that the Pensions reserve figure compared to the previous year reflected updated valuation information.

The Cash Flow Statement on page 15 gave a comparison of changes between expenditure and income with previous years. A Member commented that this demonstrated good capital management.

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In the Notes to the Core Financial Statements (page 16), it was suggested that Note 3 – Trading Operations should be expanded to make reference to explain the significant contribution made to the General Fund from this trading account and which supported Council Tax.

It was also noted that Note 2 – Loss on Disposal of Fixed Assets would also be expanded, as referred to earlier.

In regard to Note 8 (Local Authority (Goods and Services) Act 1970), it was asked that background information on the reasons for the loss on this account be available when the report was presented to Council.

In answer to a question, it was explained that Note 10 – Employees Remuneration (page 20) reflected the changes that had been made to the Corporate Management Structure.

In noting the reference to Members' Allowances (Note 11, page 20), the Committee highlighted the issue of mileage rates for future review.

Members asked that information on the influence of the timing of invoice runs on the figures for Debtors contained in Note 22 (page 28) be given in the presentation to the Council. The Committee also highlighted the item on Benefits Overpayments for future review of the process and how their reduction was being managed.

It was explained that Note 30 – Revaluation Reserve and Note 31 – Capital Adjustment Account (page 30) were new items and therefore no comparables were available.

Similarly, Note 33 – Financial Instruments (page 31), was also a new item this year and it was explained that there was no impact on the Council as a debt-free Authority.

In noting the Organisational Developments Reserve on page 33, the Committee identified this item as a future review topic to examine how it was spent and ensure best use of funds.

The Committee also identified the LABGI Reserve (page 34) as an item for future review to monitor its use and sustainability of funding.

Members concurred that the new Business Plan and revised Council Priorities offered an opportune time to look at the issue of reserves generally and to consider if any changes were desirable to ensure best fit.

The Annual Governance Statement (page 41) had been reviewed at the previous meeting. Members suggested some minor text format amendments to enhance its readability.

In concluding its examination of the Statements of Account, an aide-memoire of questions designed to help establish and provide

evidence of a robust review of the accounts was considered by the Committee and is appended to these minutes.

In connection with the aide-memoire, it was noted that so far as the closedown timetable was concerned, it was hoped that the draft Accounts would be produced by the end of May in future years. A final proof-check of the draft would be made prior to presentation to the Council meeting. So far as public inspection of the accounts was concerned, it was noted that requests were rarely received and last year, just one request had been made in respect of the accounts for the ARP. A member suggested figures be included. Ideas were also put forward for an Accounts inspection open day for Members and to canvass a wider audience.

**RECOMMEND TO THE COUNCIL** that, subject to the matters and suggested amendments noted above,

- (1) the draft Statements of Accounts for 2007-08 be approved;
- (2) the Annual Governance Statement be approved; and
- (3) the matters highlighted in Section 3 of the report be noted.

**30/08 NEXT MEETING**

The arrangements for the next meeting on 24 September 2008 were noted.

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The meeting closed at 11.30 am

CHAIRMAN

**AUDIT COMMITTEE – 27 JUNE 2008****APPENDIX TO MINUTE NO. 29/08: DRAFT STATEMENT OF ACCOUNTS****AIDE MEMOIRE FOR S151 OFFICER AND MEMBERS**

The purpose of the questions below is to help establish and provide evidence of a robust review of the Accounts by the S151 Officer and Members.

<b>Question No.</b>	<b>Issue</b>	<b>Comment / Evidence</b>
1.	Was the closedown plan (which allows the Statements of Accounts to be approved by Members by 30 June 2008) achieved? (Does this allow sufficient time for Member review?)	Yes but timetable could be improved.
2.	Have the Auditors received regular updates on the plan and been warned of potential problems?	Yes, discussions took place with the Auditors during the process.
3.	Have staff preparing the Accounts attended CIPFA/Audit Commission workshops and are aware of the key issues and changes in the CIPFA SORP 2007?	Yes, senior staff have attended courses and CIPFA workshop.
4.	Do staff preparing the Accounts have up to date CIPFA guidance notes for practitioners?	Yes. CIPFA produce annual guidance.
5.	Are the draft Accounts complete, with all the required statements and notes and unnecessary notes and disclosures removed?	Yes. Some notes excluded as not applicable but new guidance is included. The draft Accounts are subject to the final comments made by the Committee today.
6. S151 Officer only	Are the Accounts and Notes readily understandable and in line with my expectations?	Yes, subject to the comments made at today's meeting.
7.	Have the Accounts been checked for casting errors, internal inconsistency and cross-referencing? (All numbers which are expected to agree do agree.) A ticked copy of the Statements and completion of the Heads of Finance checklists can provide this evidence.	Yes.
8.	Does the explanatory foreword set out the results for the year and comparison to budget, commenting on significant items? Do the figures quoted reconcile to the main statements? Is the Foreword understood by Members?	Yes, subject to the comments made at today's meeting.

Question No.	Issue	Comment / Evidence
9.	Has the audit of the Accounts been advertised and Accounts made available for public inspection? Have members of the public raised any objections? (If so, what are they?)	Yes, public notice in the Eastern Daily Press 27 June 2008.
10.	Has the disclosure checklist been completed in detail and e-mailed, together with a set of completed Accounts to the Auditor as part of the accounts working papers protocol?	Yes, this relates to the information in note 4 above.
11.	Has a Bank reconciliation been completed as at 31 March with no unexplained entries?	Yes, included in working papers (monthly control reports)
12.	Are all year-end control accounts reconciled? How have you maintained control when staff are involved in budget preparations November to February time – any significant slippages in reconciling suspense accounts, e.g. cash suspense?	Yes. This is a monthly process.
13.	Are there any significant unexplained budget variances and latest forecasts? Can Members demonstrate that they understand or have been informed of year on year variances in the main accounting statements?	The Chief Accountant is to report back with information on sundry debtors.
14.	Have working papers been completed in accordance with the Auditor's final accounts protocol? Are they ready for the start of the audit?	Working papers are being finalised now in accordance with the protocol together with supporting papers.
15.	Is there a sufficient basket of evidence gathered to allow S151 Officer and Members to conclude on the effectiveness of IA, in relation to the Statement on Internal Control / Annual Governance Statement, e.g. self-assessment by CIA, AC view of IA, Heads of Service view of IA (specific question on the Managers' Assurance Statement)?	SIC and AGS approved at the last meeting.
16.	Has the action plan from the previous year's SIC/AGS been complied with? Are there any remaining control risks that undermine the content of the SIC/AGS or the Accounts?	SIC and AGS approved at the last meeting.