

Time Commenced: 6.00pm
Time Finished: 7.00pm

**AUDIT AND ACCOUNTS COMMITTEE
5 SEPTEMBER 2012**

Present: Councillor Roberts – Chair
Councillors Ashburner, Campbell, Davis, Martin, Tittley
and Troup

18/12 Apologies for Absence

An apology for absence was received from Councillor Harwood.

19/12 Late Items

There were no late items.

20/12 Declarations of Interest

There were no declarations of Interest.

21/12 Minutes

The minutes of the meetings held on 27 June 2012 were agreed as a correct record and signed by the Chair.

22/12 Statement of Accounts

The Committee considered the Statement of Accounts following completion of the audit. The final set of approved accounts had to be published by 30 September 2012 under the Accounts and Audit Regulations 2011.

The Council's External Auditors, Grant Thornton anticipated issuing an unqualified audit opinion, subject to the Committee approving the Accounts set out in Appendix 2 of the report and acceptance of the external audit memorandum also presented at the meeting.

Resolved

- 1. To note that a number of issues were identified by the external auditor and had led to a number of audit adjustments being made to the draft accounts presented to the Committee in June 2012.**
- 2. To note that the auditors anticipated issuing an unqualified audit opinion, subject to the approval of the accounts set out in Appendix 2 of the report and acceptance of the external audit memorandum also included in the**

agenda for the meeting.

3. **To confirm that to the best of the Committee's knowledge it is satisfied that the management letter of representation in relation to the 2011/12 Statement of Accounts, set out in Appendix 4 of the report, may be signed in good faith by the Strategic Director of Resources and the Chief Executive.**
4. **To approve the capital determination set out in Appendix 5 of the report.**
5. **To approve the final set of accounts for the 2011/12 financial year set out in Appendix 2 of the report which included the final adjustments made following the audit detailed in Appendix 3 of the report.**

23/12 External Audit Annual Report to Those Charged With Governance 2011/12 – ISA 260

The Committee considered a report which stated that as part of the International Standard of Auditing 260 (ISA 260) the Council's external auditors, Grant Thornton were required to report the outcome of the Audit of Accounts 2011/12 to the Committee.

Resolved

1. **To note the annual report from Grant Thornton and their findings and recommendations and request updates on the Action Plan contained within the report.**
2. **To note the findings and recommendations arising from the Grant Thornton report which informed its opinion on the overall effectiveness of the Council's financial reporting arrangements.**
3. **To note that there were no matters arising which would prevent the formal adoption of the financial statements.**

24/12 Treasury Management Annual Report 2011/12

The Committee considered a report which set out the Council's treasury management borrowing and investment activity for 2011/12 and it detailed the outturn prudential indicators, which were explained further in the body of the report and set out in Appendix 2 of the report.

2011/12 was marked by a further decline in the Council's investment returns, due to three factors:

- general conditions in the financial markets.
- the Council's continued tightening of its investment criteria because of financial market instability.

- a further planned reduction in the Council's cash balances due to very low rates of return on investments and better value for money being achieved through temporarily using cash balances to fund the Council's capital programme (and thereby postponed borrowing).

As a result, investment income fell by 17% from £0.851m in 2010/11 to £0.707m in 2011/12.

During the year, cash balances were used to postpone the borrowing needed to support the Council's capital programme. This resulted in a net in-year saving of approximately £1m that partly offset the loss of investment income, and meant that interest payable on General Fund debt increased by only £124,000 from £14.0m in 2010/11 to £14.1m in 2011/12.

In net terms the Council's treasury management costs increased by 12% from £14.2m in 2010/11 to £16.0m in 2011/12. However, this was lower than expected and resulted in an under-spend of £650,000 compared to the £16.5m budget. This was further explained in paragraph 6.3 of the report.

Investment losses remained a key risk to be avoided. However, the possibility of future increases in borrowing rates continued to be the more salient risk in the ongoing management of the Council's treasury function. This was partly because of financial market pressures in the Eurozone and partly because the Council had prudently deferred its own borrowing to avoid the high cost of carrying debt. The management of this risk required close day-to-day monitoring of the Council's cashflow, together with accurate forecasting of Council expenditure over the next few years, assisted by treasury management advisors.

Treasury Management advice to the Council was provided by Arlingclose who were appointed as the Council's advisors on 1 April 2011.

Resolved

- 1. To note the prudential indicators in respect of the 2011/12 outturn as outlined in the supporting information and summarised in Appendix 2 of the report.**
- 2. To note the Annual Report in respect of Treasury Management activity for 2011/2.**
- 3. To note the revision to the Council's investment criteria as outlined in paragraph 12.4 of the report.**

25/12 Review of the Council's Arrangements for Securing
Financial Resilience

The Committee considered a report which stated that the external auditors were required to assess council arrangements for securing financial resilience on an annual basis as part of their statutory Value for Money (VfM) conclusion. Work had taken place over the last few months to inform Grant Thornton's review of Derby City Council for 2011/12.

Derby had been assessed as 'green' for all areas of financial resilience. The audit report, which was shown in Appendix 2 of the report, highlighted some areas for consideration. Management responses had already been provided to show how the Council was actively managing risks in these areas.

Resolved to note Grant Thornton's report on the arrangements for securing financial resilience, including management responses to show how highlighted risks were being addressed.

26/12 Annual Governance Statement 2011/12

The Committee considered a report which presented the updated Annual Governance Statement 2011/12 for final review. The Statement provided an assessment of the effectiveness of the Council's governance framework, highlighted any issues arising and proposed actions to address them.

Resolved

- 1. To approve the Annual Governance Statements 2011/12.**
- 2. To refer the Annual Governance Statement 2011/12 to the Council Leader and Chief Executive for signing.**

Chair of the next ensuing meeting
at which these minutes were signed