

Time Commenced: 6.00pm  
Time Finished: 8.45pm

**AUDIT AND ACCOUNTS COMMITTEE  
29 SEPTEMBER 2011**

**Present:** Councillor Ashburner – Chair  
Councillors Bailey, Campbell, Davis, Harwood Roberts  
and Troup

15/11 Apologies for Absence

Apologies for absence were received from Councillors Jackson and Redfern.

16/11 Late Items

There were no late items.

17/11 Declarations of Interest

There were no declarations of interest.

18/11 Minutes

The minutes of the meetings held on 30 June 2011 were agreed as a correct record and signed by the Chair.

19/11 Update on Actions from the last meeting

The Committee received updates on bad debts (68/10).

**Resolved to note the report.**

20/11 Update on Markets Tender Process

The Committee considered a report which provided an update on Market security tender process.

**Resolved to not the current position with the tender and request a report be brought to a future meeting once the process had been completed.**

21/11 Partnership Toolkit

The Committee considered a report which highlighted the progress made in implementing the Partnership Toolkit against all high and medium risk

partnerships listed in the Partnership Register. Work was continuing with departments to review governance arrangements. Partnership lead officers were asked to supply evidence of a business case and agreement as outlined in appendix 2 to the report, against the priority partnerships. The latest version of the Partnership Register was set out at appendix 3 to the report.

#### **Resolved**

- 1. To note the updated Partnership Register and progress in implementing the Partnership Toolkit.**
- 2. To note that a further report would be presented to the Committee in December 2011.**

#### **Accounts**

##### **22/11 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 2011 under the Accounts and Audit Regulations 2003 (s amended).

The council's external Auditors, Grant Thornton anticipated issuing an unqualified audit opinion, subject to this Committee's approval of the accounts and acceptance of the external audit memorandum at item 9 on the agenda for this meeting.

#### **Resolved**

- 1. To approve the final set of accounts for 2010/11 financial year set out at appendix 2 to the report which included final adjustments made following audit and explained at appendix 3 to the report.**
- 2. To note that a number of issues were identified by the external auditors and had led to a number of audit adjustments being made to the accounts presented to this Committee in June 2011.**
- 3. To note that the auditors anticipated issuing an unqualified audit opinion, subject to this committee's approval of the accounts at appendix 2 of the report and acceptance of the external audit memorandum at item 9 on the agenda for this Committee.**
- 4. To confirm that the declaration in the letter of representation in relation to the 2010/11 Statement of Accounts be signed by the Strategic Director of Resources and the Chief Executive at appendix 4 of the report may be signed in good faith.**

**5. To approve the capital determination set out in appendix 5 of the report.**

**23/11 Treasury Management Annual Report**

The Committee considered a report which gave details of the Council's treasury management borrowing and investment activity for 2010/11 and it detailed the outturn prudential indicators, which were set out in Appendix 2 of the report. It also proposed an amendment to the Council's investment strategy in 2011/12.

2010/11 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 using cash balances to repay outstanding loans.

As a result, investment income fell by 51% from £1.7m in 2009/10 to £0.85m in 2010/11.

During the year, the Council's cash balances were used to redeem a net £13.08m of external debt. This resulted in a saving that partly offset the loss of investment income. Interest payable on debt fell by 6% from £12.7m in 2009/10 to £11.9m in 2010/11, although £0.4m of this £0.8m saving was required to be passed to the Housing Revenue Account – HRA.

In net terms the Council's treasury management costs fell by 2% from £14.7m in 2009/10 to £14.3m in 2010/11, and delivered an under-spend of £2.4m compared to the £16.7m budget. This was further explained in paragraph 5.4 of the report.

Investment losses were a key risk to be avoided, and the possibility of increased borrowing rates in future also remains a key risk to be minimised in the ongoing management of the Council's treasury function. As part of this risk management a further review of the financial markets had been undertaken, with additional criteria for money market fund investments included in the Treasury Management Strategy.

The contract for the Council's Treasury Management consultants expired on the 31 March 2011 and, after a competitive tendering process, Arlingclose were appointed as our new Treasury Management advisors until 31 March 2014. The previous contract was awarded to Butlers, who were taken over by Sector in October 2010.

## **Resolved**

- 1. To note the prudential indicators in respect of the 2010/11 outturn as outlined in the supporting information and summarised in Appendix 2 of the report.**
- 2. To note this Annual Report in respect of Treasury Management activity for 2010/11.**
- 3. To note and if necessary comment on the updated forecast prudential indicators for 2011/12, 2012/13 and 2013/14 as listed in Appendix 2 of the report.**
- 4. To note the revised investment criteria as outlined in section 11 of the report, bringing the Council's investment limits into alignment with the advice of its new Treasury Management advisors, Arlingclose.**

## **External Audit**

### **24/11      ISA 260 Report from External Audit**

The Committee considered a report setting out the external auditors report on statement of accounts 2010/11 – ISA 260. 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 2010/11 to the Committee.

**Resolved to note the annual report of Grant Thornton and their findings and recommendations and request updates on the Action Plan contained in the report.**

### **25/11      Review of the Council's Arrangements for Securing Value for Money**

The Committee considered a report which stated that the external auditors were required to assess Council arrangements for securing value for money on an annual basis. This year the scope of the assessment had been widened to include financial resilience. Work had taken place over the last few months to inform Grant Thornton's review of Derby City Council.

Derby had been assessed as 'green' for all areas of financial resilience and value for money. 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 our arrangements for securing value for money, including management responses to show how we were addressing highlighted risks.**

## Regularity Framework

### 26/11 Governance Update

The Committee considered a report which provided an update on the developments being made within the Council's governance framework.

#### **Resolved**

- 1. To approve the amended Annual Governance Statement 2010/11.**
- 2. To note the actions and the progress being made to enhance the governance framework.**

### 27/11 Corporate Prosecution Policy

The Committee considered a report which stated that the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended that local authorities should have in place a corporate prosecutions policy that sets out how authorities would react to instances of fraud/criminal activity that they may be victims of.

The Department for Communities and Local Government (CLG) had also issued guidance to local authorities recommending that each had in place a prosecutions policy that set out in broad terms the operational principles within which they would undertake their regulatory enforcement work.

In line with committee's term of reference to "*...consider the council's compliance with its own and other published standards and controls*", committee identified the absence of a corporate prosecution policy as a risk to operational effectiveness and tasked officers, through the Legal Services Division, to produce a document that addresses both of the aims identified in the two preceding paragraphs.

**Resolved to recommend Council to adopt the Derby City Council – Corporate Prosecution Policy set out in appendix 2 to the report.**

## Procurement

### 28/11 Contract Waivers

The Committee considered a report which stated that the Council's revised

Contract Procedure Rules approved by Council in May 2009 required that all waivers must be reported by the Head of Procurement on a quarterly basis to this Committee so that they could be monitored.

**Resolved to note the report.**

## Member Training

### 29/11 Training of Committee Members

The Committee considered a report which set out proposals for training for Audit and Accounts Committee Members to ensure that they were well informed to fulfil their role.

Committee members requested that they look at the terms of reference for the Committee and be trained to a level that they needed to be at to perform their duties properly.

**Resolved to look at the terms of reference of the Committee and be trained to a level that enable Members of the committee to perform their duties and scrutinise properly.**

## Audit Activity

### 30/11 Internal Audit – Shared Services

The Committee considered a report which sought approval for the establishment of a Shared Internal Audit Service by means of a partnership between Derby City Council (DCC) and South Derbyshire District Council (SDDC).

The proposal was to create a Shared Internal Audit Service which would deliver a full, professional internal audit function to meet the needs of the Derby City Council and South Derbyshire DC and the requirements defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

It was proposed that the Shared Service would be governed by a Partnership Agreement which would set out the detailed arrangements for the Shared Service. Partners would be required to sign-up to the terms and conditions of this document for a set period of time in order to be part of the Shared Service.

Human Resource implications of the transfer were being worked through in consultation with SDDC and all staff who may be affected by this proposal.

The proposal would reduce the overall cost of internal audit in the Councils which participated in the Shared Service, with efficiencies sought over the period of the

agreement.

**Resolved to approve the proposal that Derby City Council hosts and becomes a partner in the Shared Internal Audit Service with South Derbyshire District Council from 1 November 2011.**

### 31/11 Internal Audit Progress Report

The Committee considered a report which set out the internal audit activity for the period 1 June to 31 August 2011. At the end of the first quarter of the audit Plan year, Internal Audit was slightly behind its productivity targets and was behind in its service delivery target.

There were no audits finalised during the period that needed to be brought to the attention of the Committee.

**Resolved to note the activity and performance of Internal Audit in the period 1 June to 31 August 2011.**

### 32/11 Internal Audit – Follow up of Audit Recommendations

The Committee considered a report which stated that of the 506 audit recommendations made between 1 September 2009 and 28 February 2011:

- 445 had been implemented (87.9%).
- 33 had been superseded by events (6.5%).
- 22 were still in the process of being implemented (4.3%).
- 0 were now not going to be implemented (0%).
- 4 had passed their agreed implementation date, but we had been unable to obtain progress information (0.8%).
- 2 had not yet reached their agreed implementation dates (0.4%)

**Resolved to note the summary report in Appendix 2, that showed where agreed actions in respect of audit recommendations had not been implemented.**

### 33/11 Exclusion of the Press and Public

To consider a resolution to exclude the press and public during consideration of the following items:

“that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following items on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act and that the

public interest in maintaining the exemption outweighs the public interest in disclosing the information”

#### 34/11 Internal Audit – Follow up of Audit Recommendations

The Committee considered exempt information in relation to internal audit – follow up of recommendations.

**Resolved to note the report in Appendix 3, that showed those recommendations not yet implemented.**

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