

**AUDIT COMMITTEE**

**12 March 2012**

Attendance:

Councillors:

Hammerton (Chairman) (P)

Banister

Higgins (P)

Hutchison (P)

Mather (P)

McLean (P)

Mitchell (P)

Sanders (P)

Verney (P)

Others in attendance who addressed the meeting:

Councillor Wood - Portfolio Holder for Finance and Estates.

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1. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed to the meeting Mr S Taylor (Temporary District Auditor) and Mr M Bowers (Audit Manager) from the Audit Commission, the Council's external auditors.

The Head of Finance updated the meeting on the latest position in respect of Housing Finance Reform. The associated Treasury Management Strategy 2012/13 had received approval at Council on 23 February 2012. All key steps of the process for the transaction on 28 March 2012 were now aligned, including a detailed action plan, the ability to live test on the Public Works Loan Board website and guidance from CIPFA on the correct accounting treatment of the transaction.

2. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 5 December 2011 be approved and adopted.

3. **CERTIFICATION OF CLAIMS AND RETURNS 2010/11 – ANNUAL REPORT**

(Report [AUD025](#) and [Appendix](#) refers)

Mr Taylor and Mr Bowers introduced the item.

In answer to Members' questions, Mr Taylor explained that the Certification of Claims and Returns had become a new requirement from the 2009/2010 Financial Year.

RESOLVED:

That no issues be raised with the External Auditors.

4. **FUTURE OF LOCAL AUDIT – UPDATE**

(Report [AUD026](#) refers)

Mr Taylor reported that, subject to consultation, Ernst and Young had been awarded the contract for audit services to the South East contract area. The continuing timetable would now include the transfer of existing Audit Commission staff to Ernst and Young under TUPE regulations. Mr Taylor reminded the meeting that he was a temporary appointment and it was his intention that an interim District Auditor appointment be made, to take his place to oversee the audit of Winchester's accounts for the 2011/12 financial year.

RESOLVED:

1. That the progress and timetable with regard to the outsourcing process for the future local audit be noted;
2. That the temporary appointment of Mr Stephen Taylor as engagement lead for the Council's External Audit work be noted.

5. **STATEMENT OF ACCOUNTS 2011/12**

(Report [AUD030](#) refers)

The Head of Estates provided further detail on the prior period adjustment relating to the evaluation of housing. Responding to questions, he explained that the revised adjustment factor in valuation guidance had not been changed for the last five years and, due to fluctuations in the housing market, new adjustment factors had been introduced. The impact of the new valuation factors was dramatic and resulted in a negative adjustment equating to £118 million. The previous discount rate applied to market value was 45% which resulted in a value of £408 million. The revised guidance required an adjustment to 32% which reduced the valuation to £290 million. The downward change in valuations had followed the District Valuer's advice to the Department of Communities and Local Government and reflected the significant changes which had occurred in the housing market since the guidance was last issued. The adjustment did not affect the transfer value for Housing Finance Reform as this was based on a different formula.

The Head of Finance explained that the inclusion of Heritage Assets was a new requirement. The inclusion of details about assets held for "knowledge and culture" was required to be included by way of a Note in the Accounts and, where possible, would also be included as an asset on the Balance

Sheet, which would require an appropriate accounting policy which would be brought forward with the draft Accounts in June 2012. It was believed that a suitable threshold/cut off point for Balance Sheet materiality of £100,000 would be appropriate for the inclusion of Heritage Assets on the Balance Sheet. These assets are appropriately insured.

RESOLVED:

1. That the proposed changes to the Statement of Accounts for 2011/12 (Appendix A) be noted;
2. That Prior Period Adjustments will require the Restatement of the 2010/11 Accounts in relation to property valuations (Appendix B) be noted.

6. **INTERNAL AUDIT PROGRESS REPORT TO 29 FEBRUARY 2012**  
(Report [AUD027](#) refers)

The Internal Audit Manager reported that three further audits were now at their final stage; those relating to Cash Collection, Asset Management and Benefits. The audits relating to Waste Collection and ICT Shared Services were also near to completion.

Following Committee questions, the Internal Audit Manager clarified that although there was a decrease in staff time available for audits, resources had been realigned to concentrate on key areas of weakness. For example, in the case of Car Parks, it was recognised that the cash reconciliation process was a key area of control and would be concentrated upon. Following an audit of Car Parks, a comprehensive opinion had been acted upon by management. From 24 February 2012, the main outstanding areas of action were procedural, such as undertaking the completion of documentation. New payment initiatives, such as pay by phone, were recognised as being areas of potential risk where an audit action plan was required and these would be monitored within agreed timescales.

In the case of Flexible Smarter Working 2011 - 12, the Chief Executive stated that it was for line managers to ensure that staff who worked from home were productive, efficient and accessible. The audit opinion had included wider factors such as health and safety and communication to staff of the relevant policies and procedures relating to flexible/smarter working. It was not the primary purpose of the audit opinion to provide proof of concept and to demonstrate that value for money was being obtained.

It was noted that the updated ICT Security Policy would be approved by a Council Committee.

RESOLVED:

That the matters raised by Internal Audit and action taken by management be noted.

7. **INTERNAL AUDIT PLAN 2012/13**

(Report [AUD029](#) refers)

The Internal Audit Manager reiterated that the Internal Audit Plan would provide a robust level of assurance to key controls and framework through a risk assessed approach. This was in order that the most efficient and methodological use could be made of audit resources.

RESOLVED:

That the revised Internal Audit Plan for 2012/13 be approved.

8. **VOTE OF THANKS**

As this was last meeting of the Municipal Year, the Committee recorded its unanimous thanks to its Chairman, Councillor Hammerton, for her chairmanship and work throughout the year and Councillor Hammerton reciprocated accordingly.

The meeting commenced at 6.30pm and concluded at 8.30pm.

Chairman