

AUDIT COMMITTEE

MINUTES AND DECISION RECORD

30th June 2008

The meeting commenced at 2.30 pm. in the Civic Centre, Hartlepool

Present:

Councillor Arthur Preece (In the Chair)

Councillors Gerard Hall, Chris McKenna, Michelle Plant and Mike Turner

Officers: Mike Ward, Chief Financial Officer
Chris Little, Assistant Chief Financial Officer
Noel Adamson, Head of Audit and Governance
Diane Harold, Audit Commission
Jo Wilson, Democratic Services Officer

1. Recent events

The Chair welcomed all those present, particularly the new members of the Committee and Diane Harold who had taken over Caroline Tyrell's role within the Audit Commission. He thanked Caroline for her help and advice to the Audit Committee and wished her well in the future.

The Chair then made reference to the recent tragic loss of Gavin Robinson, a member of the audit team, and asked that the sympathy of the Committee be passed on to his family and officers who had worked closely with him. The Chief Financial Officer thanked the Chair on behalf of the Finance section, referring to the number of messages of condolence they had received from elected members. He said the news had been a significant shock to everyone in the department.

2. Apologies for Absence

Apologies were received from Councillor Steve Wallace.

3. Declarations of interest by members

None.

4. Minutes of the meeting held on 15 May 2008

Confirmed.

5. Appointment of Vice-Chair

Councillor McKenna was appointed as Vice-Chair of the Committee.

6. Annual Governance Statement 2007/08 *(Chief Financial Officer)*

Purpose of Report

To inform Members of the implications to the Council of the Accounts and Audit Regulations (England) 2003 as amended 2006 requirement; that the Council publish an Annual Governance Statement (AGS) with the Financial Statements, and the actions undertaken by the Council to meet its obligations within the scope of the Regulations.

Issues for Consideration by the Committee

The Annual Governance Statement is a statutory requirement under the Accounts and Audit Regulations and a way of clearly demonstrating to stakeholders that the Council has adequate arrangements in place to ensure that it can effectively manage and control its financial and operational responsibilities in accordance with acknowledged best practice. The Statement was compiled using contributions from a variety of sources including the Cabinet and Portfolio Holders, the Audit Committee, the Corporate Management Team, the Monitoring Officer and External and Internal Audit teams. Having established a system of internal control, officers would consider which of these controls were key in mitigating against significant risk and by obtaining assurance on the effective operation of these key controls conclude on the effectiveness of the systems and identify where improvement was needed. A copy of the Statement, which had been signed by the Mayor and Chief Executive, was appended to the report for Members' attention.

Members queried the definition of a partnership as discussed within the report. The Head of Audit and Governance and Chief Financial Officer both advised that although there was no exact definition of a partnership, references to partnerships within the report were based on officer's interpretation of what a partnership was in Hartlepool as agreed by CMT. In defining what constituted a partnership reference was also made to Audit Commission publications and assumed definitions from HBC Departments and other local authorities.

Decision

That the Annual Governance Statement 2007/8 be approved.

7. The 2007/2008 Statement of Accounts *(Chief Financial Officer)*

Purpose of Report

To enable Members to approve the Council's 2007/2008 Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations 2003.

Issues for Consideration by the Committee

The report advised Members that the Council was required by statute to produce the 2007/2008 Statement of Accounts by 30th June. Responsibility for consideration of these accounts had previously been discharged by the General Purposes Committee. A detailed report had been submitted to the Audit Committee on 15th May 2008 explaining the role of the Chief Financial Officer, Audit Committee and External Auditors in approving the Statement of Accounts. The accounts were subject to audit prior to publication in September.

Members were reminded that their role was to agree the Statement of Accounts as an accurate record. It was not the Committee's remit to consider any decisions which had been made over the course of the year which had led to the Council's current financial situation.

The Chief Financial Officer gave background information and brought a number of issues to Members attention. Members then commented on the following:

- Good to see the amount of interest received exceeded the interest paid out – The Chief Financial Officer explained interest earned was based on standard interest rates which had been on an upward trend in the past year because of the credit crunch. The capital programme was pre-funded for three years at very fortuitous rates meaning that the level of borrowing had decreased while the level of investment had gone up. Future uncertainty would mean using perceived safer organisations which might not have as good interest rates.
- In the analysis of Government Grants why were grants specified as 'other' double all the rest? – The Assistant Chief Financial Officer advised that this was just a timing difference at the end of different financial years and there was no great change in the overall turnover.
- General fund balances are referred to as two separate and distinct things in two separate places within the Statement of Accounts. Is there any way they could be redesignated to make

it clearer that they were two separate entities? – The Chief Financial Officer indicated he shared members' confusion but as both were part of the General Fund they had to be tagged as such. A possibility would be to call one the unallocated general fund balance.

- Why had the number of Surplus Assets held for disposal under Non-Operational Land and Properties decreased from 342 to 83? – The Assistant Chief Financial Officer understood these assets were now tied up and not available for disposal
- Was there a policy to carry out re-evaluation of assets held by the Council? – Yes, in accordance with accounting regulation assets must be valued a minimum of every five years but Hartlepool had a rolling programme of evaluation.
- How long would it take before the effects of the move from Cleveland County Council would reduce? – The Assistant Chief Financial Officer advised that direct responsibility for debt charges had been passed on from Cleveland County. Since that time costs had been reduced significantly. The remaining Cleveland County issues related to property. The majority had been rented out reducing the residual costs which needed to be borne by the four successor authorities, including Hartlepool.

Decision

That the Statements of Accounts 2007/08 be approved.

8. Audit Committee Annual Review *(Head of Audit and Governance)*

Purpose of Report

To inform Members of the work undertaken by the Audit Committee during the municipal year in order for it to meet the requirements of its role and responsibilities as laid down by Council.

Issues for Consideration by the Committee

The report outlined the activities undertaken by the Audit Committee during the previous financial year which allow it to fulfil its remit and also satisfied the Council's obligation under Regulation 6 of the Accounts and Audit Regulations 2003 as amended 2006, that the relevant body conduct an annual review of its system of internal audit.

Decision

That the work undertaken by the Audit Committee in 2007/08 be endorsed and reported to Council.

The meeting concluded at 3:40 pm

CHAIR