

Appendix C

Report of the Audit Committee Working Group meeting on 1 August 2017

In Attendance:

Members: Cllrs Grint (Chair); Scholey; Layland; McArthur; Ball

Apologies Cllr Reay

1. The Head of Finance provided an update to Members in relation to the external audit that was currently taking place, noting that there had been no change to the balance sheet or to the bottom line position on the Comprehensive Income and Expenditure Statement. The accounts had been open to public inspection from 1st July to 28th July and no objections had been received.
2. Members noted that the current draft document could be considered in 3 parts:
 - The narrative report;
 - The formal document, including the statutory statements (i.e. Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement) and their corresponding notes, as well as a new note for 16/17, an Expenditure and Funding Analysis; and
 - Annual Governance Statement, which had been reviewed and approved by the Audit Committee.

The Chairman commented that he was impressed by the document.

Reserves

3. In response to a question regarding the level of reserves held by the Council, Members were advised that the General Fund balance (£1.5m) represented 10% of net expenditure and was there to be utilised should unexpected events arise. Officers explained that Earmarked Reserves formed part of a review that was considered by Members in February committee meetings and were set aside for more specific projects/uses.

Narrative Report

4. It was noted that a lot of the presentation and information requirements for the main statements and notes were prescribed by the CIPFA Code and accounting practices and as such were limited as to changes that could be made to them; this resulted in more of a focus on the Narrative Report.

Various points were noted on the Narrative Statement leading to the following amendments:

- Page 4 last paragraph – amended to clarify role of the Finance Team;
- Pages 6 & 7 Table split to be rectified to avoid continuation of text over pages;
- Chart layouts to be reviewed;
- Page 9 Chart 2 title – amended to ‘Spending by Frontline Service’
- Add LASAAC to the glossary
- Other minor numbering corrections

Capital Programme

5. It was noted that the recent £25m Property Investment Strategy recently approved by Council was not shown on the table of the capital programme and Officers outlined that this was a table setting out the capital programme for the Council over the period 2017-2020 and had formed part of the 17/18 budget papers that Members had approved.

To improve understanding the following amendments were made to Table 1;

- include reference to the Council meeting where the table had been approved as part of the budget papers.
- Add note after the table to reflect the £25m of funding that has been approved subsequently.

Pensions

6. Members reviewed the information provided about Pensions in the Narrative Report and felt that further explanations were required. Officers explained that the £97.3m included in this paragraph was based on a calculation prescribed by IAS19 and represents an amount required to pay all future pensions in today’s terms. It was explained that, based on the last pension valuation carried out in March 16, the deficit in real cash terms was in the region of £21.6m and that a plan was in place to recover this over a 17 year period.

7. To improve understanding the following amendments were made to the section relating to Pensions

- **Page 12 Pensions** - add further detail to the third paragraph’s final sentence including the value of the deficit at last valuation
- **Page 12 Pensions** - add ‘Under IAS19,’ to the opening sentence of the 2nd paragraph.

Expenditure and Funding Analysis (EFA)

The Group was advised that the expenditure figures in the EFA were the same as would have been provided as part of the outturn management reporting. The figures included in Chart 2 related to Council Tax information and represented costs of frontline services.

Other Statement Queries

8. The Head of Finance provided further background information on the purpose of the Vehicle Insurance Reserve (Note 9) and the MMI provision (Note 18).
9. In response to a query about changes in officers pay levels (Note 27) Members were advised that there had been a reduction in the number of Chief Officers following a recent SCIA and that this had been considered by Members as part of the budget process.
10. Members enquired about the recent loan to Sencio and were advised that the new loan was outside the period covered by the 16/17 Statement of Accounts. The current loan to Sencio is detailed in the Related Party Transactions note (note 30).
11. The Chairman thanked Members for their involvement in the group and it was requested that a short report from the Working Group go back to the Audit Committee.