

**At a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the CIVIC CENTRE on Friday 22 July 2011**

**Present: -**

Mr G N Cook in the Chair

Councillors Forbes, Tate and Mr J P Paterson.

**Declarations of Interest**

The following Councillor declared a personal interest in the report listed below for the reason indicated: -

Item 5 – Statement of  
Accounts 2010/2011  
(Subject to Audit)

Councillor Tate

Member of GMB

**Apologies for Absence**

Apologies for absence were received from Councillors Rolph and T Wright.

**Minutes**

16. RESOLVED that the minutes of the meeting of the Committee held on 30 June 2011 be confirmed and signed as a correct record.

The Executive Director of Commercial and Corporate Services reported that discussions on the Council's Improvement Programme had only recently been concluded and the update would now be presented to the Committee at their meeting on 30 September 2011.

He also made reference to the Consultation on Local Public Audit and stated that the response had been submitted and it was understood that the general views from other consultees were similar to those expressed by Sunderland.

The Chairman commented that he would like the Head of Strategic Commissioning, Health, Housing and Adult Services to attend future meetings to provide updates on the progress being made in regard to the 'significant' recommendations arising from the audit of the protection arrangements for vulnerable adults.

## **Audit Commission – Interim Opinion Report 2010/2011**

The Executive Director of Commercial and Corporate Services submitted a report presenting the Audit Commission's Interim Opinion on the work carried out up till June 2011, which would inform the audit opinion for 2010/2011.

Sally Old, Trainee Auditor with the Audit Commission, was in attendance to present the report.

The work carried out had been in relation to interim financial systems, reviewing Internal Audit, IT risk assessments, tax risk assessments and some work on the Council's compliance with International Financial Reporting Standards (IFRS). The Audit Commission had concluded that in general, the key controls within the main financial systems were operating as designed and any areas for improvement were highlighted in the Action Plan.

Auditors had worked well with officers on the impact of IFRS throughout the year and it was felt that this would result in a smoother audit of the accounts in the future.

Despite the Council going through a period of restructuring and the potential risks involved, only minor issues had been identified in the interim work. Sally drew attention to journal entries and that following the identification of this issue in the previous year, the sample size would now be increased. The Committee were also informed that periodic income had been a new area for review this year.

The Chairman commented that the issues raised were low level and he was confident that they would be picked up by officers.

Having considered the Interim Opinion, the Committee: -

17. RESOLVED that the contents of the report be noted.

## **Statement of Accounts 2010/2011 (Subject to Audit)**

The Executive Director of Commercial and Corporate Services presented a certified copy of the Council's Statement of Accounts 2010/2011 (Subject to Audit) to the Committee.

The Executive Director reported that the Council had observed the new financial reporting requirements set out in the Accounts and Audit Regulations 2011, whereby the accounts subject to audit only need to be certified by the relevant Finance Officer by 30 June. The audited accounts would need to be approved by the Committee by 30 September but at this meeting, Members would have the opportunity to ask questions prior to the final audited version of the accounts being prepared.

The Executive Director of Commercial and Corporate Services drew out some key points from his foreword to the accounts, highlighting that the general reserve balance showed another robust and strong performance during the last financial year. £4.458 million of balances had been used as follows: -

- £1.958 million to support one off transitional costs arising from the implementation of budget savings proposals in 2011/2012;
- Transfer of £1.0 million to support potential future winter maintenance pressures and continued uncertainties arising as a result of the economic downturn; and
- Transfer of £1.5 million to support initial activities regarding potential commercial and economic development opportunities which would in turn lead to improved outcomes for the city and future revenue cost containment.

The Locally Managed Schools Reserve had increased from £7.493 to £8.090 million and it was pleasing to note that schools had some financial resilience within their balances. The foreword also put the financial performance in 2010/2011 into context in relation to the impact of the Government Funding Reductions.

The Executive Director referred to the authority's borrowing position and that relevant limits were adhered to in order to manage borrowing. The Council's Treasury Management function continued to contribute significant financial savings that would be used to provide funding for future year's capital programmes and to help support the Council's revenue budget.

The process regarding equal pay issues remained ongoing and was expected to carry on for some time.

As the Council had an excellent record in managing risks, it had been able to create additional savings by reducing insurance premia.

Members were also informed that the Waste Management PFI Scheme had now been signed off and the Governance Statement within the Accounts had been considered by the Council and had been positively received.

In response to a query from Councillor Tate regarding the Sunderland Strategic Transport Corridor (SSTC), the Executive Director advised that feasibility and planning on the SSTC was complete and a best and final offer would be made to the Department for Transport (DfT) in September with the results being known in December.

Mr Paterson asked if it would be costly to adapt systems to be Euro compliant and was informed that this cost would be minimal as the systems currently being used were designed so that they could be converted.

Councillor Forbes referred to the position with single status and queried if there were any thoughts about when it would be concluded. The Executive Director advised that the end point was not clear but the next milestone would be spring 2012. The Executive Director reinforced that the Council's position was being robustly managed and that it had made appropriate provision.

Councillor Tate highlighted the Schools Reserve in relation to the £11 million savings which were required in the budget for education. It was explained that it was up to individual schools to decide how to use their reserves.

The Chairman commented that he would appreciate further information on how the reductions in grants would affect the financial planning moving forward. The Executive Director advised that specific grant reductions had been passported through to the areas concerned but he would be happy to provide more information in due course.

The Committee, having considered the report: -

18. RESOLVED that the Statement of Accounts 2010/2011 (Subject to Audit) be noted.

At the request of the Chairman, the Head of Law and Governance updated the Committee on the legal proceedings regarding outstanding objections made to the Council's Statement of Accounts in previous financial years.

(Signed) G N COOK  
Chairman