

# AUDIT COMMITTEE

AC 24 05/06

Monday 30 January 2006

## PRESENT:

Councillor Shears, in the Chair.  
Councillor Stevens, Vice-Chair.  
Councillors Fry, Kirk (substitute for Councillor Fletcher) and Stark.

Independent Members: Mr R Archer, Mr R Clarke and Mr D. Fletcher.

Apology for absence: Councillor Fletcher

The meeting commenced at 2.30 pm and concluded at 3.30 pm

## 19. DECLARATIONS OF INTEREST

In accordance with the Code of Conduct, Independent Member Mr. R. Clarke declared a personal interest in respect of minute 21 below.

## 20. MINUTES

Resolved that the minutes of the meeting of 26 September 2005 (AC 19 05/06) be confirmed and signed as a correct record.

## 21. CHAIR'S URGENT BUSINESS

### Draft Work Programme 2006/07

The Chief Auditor reported that she would be drawing up a Draft Work Programme 2006/07 for submission to the next meeting of the Committee.

Resolved that the report be noted.

## 22. AUDIT COMMITTEE ON 20 MARCH 2006

The Chair reported that, due to commitments of both Members and Independent Members, it would not be possible to hold the next meeting of the Committee on 20 March 2006 and it should be re-scheduled for 27 March 2006.

Resolved that the next meeting of the Audit Committee be held on 27 March 2006.

(In accordance with Section 100(B)(4)(b) of the Local Government Act, 1972, the Chair brought forward the above items for urgent consideration because of the need to inform Members).

## 23. AUDIT COMMISSION REPORT ON THE COUNCIL'S FINANCIAL STATEMENTS 2004/05

The Director of Corporate Resources submitted a report (AC 20 05/06) indicating that –

- (i) the Council's 2004/05 Statement of Accounts was approved by Audit Committee on 26 July 2005, and this was subject to audit of the accounts by the District Auditor;
- (ii) following conclusion of the audit, the District Auditor produced a report (known as the SAS610 Report), which was considered at a special meeting of Leading Members on 31 October 2005, in time for publication of the financial statements on the same day;

- (iii) the Auditor's SAS610 report indicated that an unqualified opinion would be issued on the accounts;
- (iv) the report also drew Members' attention to one item which was considered by the Auditor to constitute a 'non-trifling misstatement' in the accounts, that of the accounting treatment of Lenders Option Borrowers Option (LOBO) Loans;
- (v) the issue concerned our accounting treatment for interest on LOBO loans which differed from the views of the Audit Commission;
- (vi) this was flagged up during the closedown process and was reported to Members;
- (vii) following consideration of the SAS 610 Report, his advice was to leave the accounts unaltered for this issue;
- (viii) this was confirmed in his letter of representation to the District Auditor, which was endorsed by the Leading Members at the meeting of 31 October 2005;
- (x) this did not affect the Auditor's unqualified opinion on the accounts.

Resolved that the District Auditor's SAS 610 Report and the letter of representation on the 2004/05 accounts be noted.

**24. AUDIT COMMISSION - AUDIT PROGRESS SUMMARY**

The Audit Commission submitted a report (AC 21 05/06) on the Audit Progress Summary as at 19 January 2006.

Resolved that the report be noted.

**25. REVISED ANTI-FRAUD & CORRUPTION POLICY**

The Director for Corporate Resources submitted a report (AC 22 05/06) indicating that –

- (i) the current Anti-Fraud and Corruption Policy was approved by Audit Committee on 8 March 2004;
- (ii) the policy, however, had now been reviewed and updated in the light of the Proceeds of Crime Act 2002 (POCA) and The Money Laundering Regulations 2003 (Regulations) and was attached to the report;
- (iii) Local Authorities were not subject to the provisions of the POCA and Regulations, but the size and scope of the Council's activities was such that there was a risk, however small, of the Council or its staff being exposed to money laundering;
- (iv) it was considered prudent, therefore, to nominate a single point of contact for Members and employees to refer any suspicion they had regarding money laundering;
- (v) in view of the Financial Regulation requirement for the Chief Auditor to be notified immediately of any matter arising which involved a financial irregularity, it was proposed that the Chief Auditor should be the single point of contact for money laundering issues;

- (vi) the main body of this Anti-Fraud and Corruption Policy remained largely unchanged, its purpose was to make clear to Members, employees, the general public and other bodies, Plymouth City Council's approach to fraud and corruption;
- (vii) the Council was committed to reducing the opportunity for fraud and corruption to the lowest possible risk;
- (viii) where there was the possibility of fraud and corruption, the Council would deal with it in a firm and controlled manner;
- (x) the Anti-Fraud and Corruption Policy aims:-
  - to encourage prevention;
  - to promote detection;
  - to identify a clear pathway for investigation.

Resolved that –

- (1) the adoption of the revised Anti-Fraud and Corruption Policy be endorsed;
- (2) the Chief Auditor be appointed as the single point of contact for reporting suspected cases of money laundering.

**26. NATIONAL FRAUD INITIATIVE 2004-05**

The Director of Corporate Resources submitted a report (AC 23 05/06) –

- (i) explaining the background to the Audit Commission's National Fraud Initiative (NFI) and describing the procedures and timescales involved;
- (ii) providing details of the savings that the Council had achieved as a result of participating in the 2004/05 exercise.

Resolved that the report be noted.

**27. EXCLUSION OF THE PRESS AND PUBLIC**

Resolved that, under Section 100(A) and (4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of confidential/exempt information as defined in paragraph 14 of Part 1 of Schedule 12A of the Local Government (Access to Information) Act 1985.

**28. INTERNAL AUDIT SERVICE - 6 MONTHLY PROGRESS REPORT**

The Director of Corporate Resources submitted a report (AC 24 05/06) outlining the work undertaken by the Audit Service during the first 6 months of the financial year 2005/06 and providing details of the planned work for the remainder of the year.

Resolved that –

- (i) the report be noted;
- (ii) the adjustments to the 2005/06 Audit Plan be approved.