

**CORPORATE AFFAIRS COMMITTEE**

A meeting of the Corporate Affairs Committee was held on 27 September 2010.

**PRESENT:** Councillor Clark (Chair), Councillors Brunton, Cox, McIntyre, McPartland, Mrs H Pearson, OBE and Purvis.

**OFFICERS:** B Baldam, I Featherstone, G Gallagher, S Harker, R Long, P Slocombe and J White.

**\*\*COUNCILLORS PRESENT BY INVITATION:** Councillor N J Walker.

**\*\*ALSO IN ATTENDANCE:** C Craig, Director, Assurance and Advisory, Deloitte.

**\*\* DECLARATIONS OF INTEREST**

No declarations of interest were made at this point of the meeting.

**\*\*MINUTES**

The Minutes of the meeting held on 21 July 2010 were taken as read and approved as a true record.

**SCHOOL GOVERNING BODIES – PROTOCOL/PROCEDURE FOR APPOINTMENT/REMOVAL OF AUTHORITY GOVERNORS**

A report of the Head of Commissioning and Resources was presented for Members to consider a Protocol for Appointment and Re-Appointment of Authority Governors and Procedures for the Removal of Authority Governors.

The School Governance (Constitution) (England) Regulations 2003, Regulation 6, stated that the Governing Bodies of all categories of maintained schools had at least one Governor appointed by the Local Authority. In some categories of school the Authority Governors accounted for up to one-fifth of Governing Body Membership.

Corporate Affairs Committee had delegated responsibility to consider any representations for appointment, re-appointment and removal of Governors. The Governor Development Service, on behalf of the Executive Director for Children, Families and Learning, consulted with Corporate Affairs Committee on all matters relating to the appointment, re-appointment and removal of Authority Governors.

There was currently no formal protocol for appointment and re-appointment of Authority Governors. In addition there was no procedure for removing Authority Governors and, if approved, this procedure would be adopted from the Autumn Term 2010, as the method for the transparent and equitable removal of Authority Governors.

It was recommended that consideration was given to the adoption of the Protocol for the Appointment and Re-Appointment of Authority Governors and the Procedures for the Removal of Authority Governors, attached at Appendix A to the submitted report.

**ORDERED** as follows:-

1. the information provided be received and noted.
2. consideration of approval of the Protocol for the Appointment and Re-Appointment of Authority Governors and the Procedures for the Removal of Authority Governors be deferred.
3. the Protocol for the Appointment and Re-Appointment of Authority Governors and the Procedures for the Removal of Authority Governors be circulated to all Political Groups and School Governing Bodies for consultation.
4. the results of the consultation be presented to a future meeting of the Corporate Affairs Committee for further consideration.

**STATEMENT OF ACCOUNTS 2009/2010**

The Deputy Director of Resources presented the audited Statement of Accounts 2009/2010. Attached to the report were extracts from the audited Statement of Accounts providing details of the main accounting financial statement.

The full statement had been circulated to all Members of the Corporate Affairs Committee and a copy was available in the Members' Library. A copy of the accounts would also be available on the Council's website, once the External Auditor had signed the document.

The Statement of Accounts had had the following alterations made from the draft presented to Members in June 2010:

- Explanatory Foreword – Accounting for Council Tax. A table had been added showing the amounts resulting from a change in accounting treatment related to income collected on behalf of the Police and Fire Brigade. The alteration provided additional information on the impact of the new requirements.
- Balance Sheet, Debtors and Creditors Notes, Cash Flow Statement and Group Accounts. A Goods Receipt had been entered onto the system as £1.4m instead of £14,000. The error was identified on receipt of the invoice, however the correction was made through the Debtors system instead of the Creditors system. This was reversed putting the correct entries into the accounts. The relevant Accounting Statements were then adjusted.

In its recent budget, the new Coalition Government announced that, in future, it was the intention to calculate the liability of the pension fund using the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The Government announced that this would generate savings, implying that it was anticipated that CPI would be lower than RPI in the future.

The Audit Commission had advised that this item should be treated as a "non adjusting post balance sheet event". Accordingly no adjustment had been made to the Balance Sheet. The impact of the proposed change had been assessed by the Council's Actuary and it was estimated that such a change would reduce the Net Pension Liability by £17.8 million from £193 million to £165.2 million. Note 41 in the Statement had been updated with this explanation.

The application of sound financial management across all services was reflected in the final outturn for the year with a net saving compared to budget of £182,000 (0.14%).

There were some significant ongoing pressures dealt with by the service areas during 2009/2010 and a section was included in the Explanatory Foreword on the impact on Middlesbrough of the difficult economic climate. These pressures have continued into the current financial year and were highlighted during the 1<sup>st</sup> Quarter's budget monitoring clinics. They included:

- Reduced right-to-buy receipts.
- Reduced income from car parking and leisure facilities.
- More vulnerable children in care (residential and fostering).
- Increase in demand-led pressures on Older People, Physical Disabilities, Learning Disabilities and Personal Care.
- Further reduction in trading for Ayresome Industries.

The Council's policy was to maintain an appropriate level of reserves and provisions for assessed liabilities and a full list was attached at Appendix G to the submitted report. The financial risks to the Council were identified and both revenue and capital funding earmarked to cover the potential costs. They were reviewed at year-end and throughout the year.

It was highlighted that the Primary School Review was a much larger financial risk to the organisation now than in the previous year. Unfortunately the Government's emergency budget announcement had indicated that the likelihood of investment in primary school education would be far less than had been previously anticipated. Available funding would now be spent on repairs and maintenance rather than new build.

The draft and final Statements had been produced within the timetable and the quality of the working papers had again been high. There were no major issues raised by the External Auditor. The External Auditor would present a draft report that summarised the principal matters that had arisen from the audit for the year ended 31 March 2010 to the Committee.

Overall the accounts showed a sound financial position for the Council with the level of balances in line with the Council's Medium Term Financial Plan.

**ORDERED** that the Statement of Accounts 2009/2010 be approved.

## **EXTERNAL AUDITORS ISO 260 REPORT**

The External Auditor presented a report summarising the principal matters that had arisen from the Audit for the year ended 31 March 2010. A separate report had been issued to the Pension Fund Panel covering the audit of the Teesside Pension Fund accounts. The report was in a similar format to previous years, however it was currently in draft to allow the Corporate Affairs Committee the opportunity to comment. In addition, some aspects of the External Auditor's work were still ongoing.

The key audit risks identified in the Audit Plan were detailed in the submitted report with the background to the work carried out, the findings, conclusions and response to each risk. All risks listed by the Auditor had previously been identified and the results for each area were satisfactory.

A number of aspects of the Audit were ongoing and would continue to be so until the date of signing off the audit opinion. The Audit was subject to the satisfactory completion of the following matters:

- Completion of testing of the Housing Benefit subsidy claim.
- Receipt of a number of bank confirmation and legal letters.
- Internal review and quality control procedures.
- Final review of the financial statements.
- Completion of the post balance sheet events review.
- Receipt of the management representation letter.
- Whole of government accounts testing.

Assurance of the Housing Benefits subsidy claim was gained using the Audit Commission methodology that involved detailed testing of a sample of cases. This work was undertaken by Internal Audit on behalf of Deloitte and there had been some issues around the quality of the work. Additional testing was required to give assurance around the subsidy claim amounts and the Value For Money conclusion. The Head of Internal Audit was re-doing the work and subject to some re-testing, the External Audit was satisfied that this was an isolated incident and assurance would be forthcoming.

Final reviews around the accounts would be completed today and the Whole of Government Accounts work would be completed by the end of the current week. The Whole of Government accounts work was finalised last of all, in case the accounts were amended.

With reference to other aspects of audit status it was highlighted that the Audit Commission would be abolished from 2012. Clarity over what arrangements would follow was awaited, however it was anticipated that Local Authorities would be able to appoint their own External Auditors in future. The National Audit Officer would have a regulatory role. Following the decision to cease all Use of Resources work, the Audit Commission was expected to issue guidance for 2011 for the Value for Money conclusion, and it was anticipated that this would be more financially focussed. Further updates would be presented to Corporate Affairs Committee as appropriate.

In terms of accounting policies the External Auditor was satisfied that the Authority was up-to-date with preparation for International Financial Reporting Standards (IFRS). The introduction of IFRS would change how the accounts were prepared and there were some areas of work still to be done and guidance which was due in July was still awaited.

A report was included on the Control Systems and the issues identified were generally gaps in documentation of controls as opposed to significant gaps in the controls themselves. Action had been taken or was in place to address these issues and this would be followed up in next year's audit.

The Audit Fees were in line with Plan. Some additional work had been carried out around the VAT claim and the fees were disclosed in the accounts. The fee for the Use of Resources work was out of sync and was taken out in the year following the work, and therefore the reduction in the Audit Fee for this work would be realised in 2012.

Reference was made to the use of the word "reasonable" to describe the Key Audit Risks and the External Auditor explained that this was because until agreements were finalised there was still a risk that additional costs could be incurred. The External Auditor confirmed that she was satisfied with how this had been managed within the Authority and the description of "reasonable" referred to the numbers rather than the process.

**ORDERED** that the External Auditors ISO 260 Report be approved.

### **PROCUREMENT – E-QUOTATIONS**

The Strategic Procurement Manager presented a report to request approval to a change to Standing Orders to allow the seeking of Electronic Quotations.

Previously, the seeking of quotations via fax or other electronic means was prohibited because of possible probity and transparency issues. Where ordinary fax or email was used the Council would be unable to prevent the potential fraudulent disclosure of one supplier's information to another provider.

However, it was possible to introduce a vaulting system, which would prevent this possible issue from occurring. The vaulting system prevented access to the supplier's quotation information until after the specified closing time. After the given time, the Service would be advised automatically that they could access the quotations. The system also recorded an audit trail for each request using an individual quotation number. The proposed system had been developed and tested in consultation with Internal Audit to ensure it met with all Audit requirements.

There was no additional cost associated with the system which had been developed in-house and was supported using the existing Lotus Notes email system. Therefore any supplier with access to email could respond to the Council request without the need for access to software supporting a specialist system. The proposal had been discussed with the Executive Member for Resources and supported a request from the Mayor at a recent informal Executive Meeting to make procurement easier and faster for managers and suppliers.

The following revised wording for inclusion in Standing Orders was proposed:

"A stipulation that any Tenders/Quotations submitted by fax or email will be rejected unless they have been sought in accordance with an electronic tendering/quotation or e auction approved by the Director of Strategic Resources".

**ORDERED** that Standing Orders be amended to allow the seeking of electronic quotations via the Corporate Quotation System only.