

**CORPORATE AFFAIRS COMMITTEE**

A meeting of the Corporate Affairs Committee was held on 5 November 2013.

**PRESENT:** Councillors Clark (Chair), Brunton, C Hobson (as substitute for Mrs H Pearson, OBE) and P Purvis

**ALSO IN ATTENDANCE:** A Ross, Deloitte

**OFFICERS:** B Baldam, S Harker, J Stuart

**APOLOGIES FOR ABSENCE** were submitted on behalf of Councillors Mawston, McIntyre, Mrs H Pearson, OBE, B Thompson.

**DECLARATIONS OF INTERESTS**

There were no Declarations of Interest at this point in the meeting.

**13/10 MINUTES - CORPORATE AFFAIRS COMMITTEE - 25 SEPTEMBER 2013**

The minutes of the meeting of the Corporate Affairs Committee held on 25 September 2013 were taken as read and approved as a true record.

**13/11 APPOINTMENT OF RETURNING OFFICER AND ELECTORAL REGISTRATION OFFICER FOR MIDDLESBROUGH COUNCIL**

The Electoral Services Manager presented a report to seek approval for the appointment of Karen Whitmore, Assistant Chief Executive, as the Returning Officer and Electoral Registration Officer, following the retirement of the previous post holder, in accordance with the Representation of the People Act 1983.

Every district council in England was required by Section 35(1) of the Representation of the People Act 1983 to appoint an officer of the Council to be the Returning Officer for elections of Councillors of the County, and every District Council should appoint an officer of the Council to be the Returning Officer for the elections of Councillors of the district and an officer of the Council to be the Returning Officer for elections of Councillors of parishes or communities within the district.

Section 8(2)(a) of the Act also required the Council to appoint an officer to be the Electoral Registration Officer. The Electoral Registration Officer was responsible for the preparation and maintenance of the electoral register for any parliamentary constituency or part of a constituency within its area.

According to Section 24(1)(b) the Returning Officer for Parliamentary Elections was the Chair of the Council, who delegated authority for the management of the election to the Acting Returning Officer, who was the Electoral Registration Officer.

According to Section 28(1) of the Act, only the Electoral Registration Officer could act as the (Acting) Returning Officer at Parliamentary elections, therefore it made sense to ensure that one officer was appointed to both roles and therefore responsible for all local and national elections and referenda.

The Returning Officer had overall responsibility for the conduction of elections and the duties were separate from his/her duties as a local government officer. The Returning Officer was personally liable for the conduction of the election, and only Council could designate an alternative Returning Officer to discharge those functions. The Corporate Affairs Committee had delegated powers to consider and approve an appointment on behalf of the Council. The Electoral Registration Officer was an official appointed by the Council to prepare and maintain the Register of Electors.

**ORDERED** that:

1. Karen Whitmore, Assistant Chief Executive, was appointed as the Returning Officer and Electoral Registration Officer for the Council.
2. Sylvia Reynolds, Senior Resource Officer, was appointed as the Deputy Electoral Registration Officer.
3. The Returning Officer had delegated authority to appoint deputies in the case of all elections.

13/12

**EXTERNAL AUDITOR'S FINAL REPORT ON THE 2012/2013 AUDIT**

The External Auditor presented the final ISA260 report on the 2012/2013 audit. The report covered the principal matters that had arisen from the audit for the year ended 31 March 2013 and updated the progress report presented to the Corporate Affairs Committee on 25 September 2013.

The audit testing was now complete and unqualified opinions on the Council's Statement of Accounts and Value for Money Conclusion had been issued by the 30 September 2013 deadline. An "except for" conclusion had been issued in the Whole of Government Accounts (WGA) Assurance Statement. The results of the work in relation to the significant risks were summarised in the Executive Summary and set out in the submitted report.

The "except for" conclusion issued in the WGA Assurance Statement reflected the fact that one item in the Council's WGA consolidation pack did not agree to the audited accounts. This was due to an error in the consolidation pack provided to the Council, which forced an incorrect counterparty to be entered for one transaction. The Auditor emphasised that this was strictly a fault with the form issued and not an error on the part of the Council.

The following significant risks had been identified and the External Auditor provided a detailed explanation and update on each item:

- Revenue recognition: recognising grant income.
- Recoverability of investments.
- Valuation of fixed assets.
- Disclosure of related parties.
- Management override of controls.
- Value for Money Conclusion.

Audit materiality was set at £3,880k and a schedule of unadjusted misstatements was attached at Appendix 1 to the submitted report. There were two misstatements that management had elected not to correct. However, the External Auditor confirmed that he did not consider that these misstatements had a material effect on the accounts.

Management elected to correct the financial statements for a number of misstatements and the Committee's attention was drawn to each of the adjustments. The External Auditor provided further information and explanation for Members of the Committee as required. The adjustments were as follows:

- Prior Period Adjustment relating to the valuation of property assets, due to estimation or calculation errors in valuations and a number of additional valuations being required to comply with the Code of Practice. These adjustments reduced the 31 March 2011 Balance Sheet value by £30,533k, with subsequent adjustments of £29,527k and £14,113k made to the 31 March 2012 and 31 March 2013 Balance Sheets respectively.
- An amendment was made to the fair value of a piece of investment land, reducing the Council's Investment Property balance by £5,509k compared to the draft Statement of Accounts. This was due to sufficient progress not being made with the proposed housing development to permit full recognition of the estimated development value. A corresponding adjustment was made through the Movement in Reserves Statement in line with proper practice, resulting in no impact on the General Fund.

- Incorrect classification of a revenue grant as capital (£2,162k) relating to the weekly waste collection grant. Corresponding adjustments had been made through the Movement Reserves Statement in line with proper practice, resulting in no impact on the General Fund.
- Amendment made to recognise an additional £802k of grant income (the Local Authority Central Spend Equivalent Grant) which had not been identified as receivable in the preparation of the financial statements. The Deputy Director of Resources explained that this related to money refunded to the Council from Central Government. Money was top-sliced from Local Authorities to fund the transfer of schools to academies. However, the number of schools transferring was less than predicted and therefore a refund was made. However, the refund should have been accrued back in the previous financial year but the cash was not received until this year.
- Amendments had been made to note 19 on Senior Officers' Remuneration and Exit Packages, to ensure appropriate disclosures were made in line with the Code of Practice and the Accounts and Audit Regulations.
- Amendments had been made to increase Debtors and reduce the Loss on Disposal of Investment Property (note 3) by £1,060k to reflect the deferred consideration receivable by the Council on disposal of an Investment Property.
- An amendment had been made to include a provision for liabilities relating to Municipal Mutual Insurance Ltd, which was no longer likely to meet all its liabilities . This resulted in a provision of £1,020k, which was funded by a transfer from the earmarked insurance reserves. The External Auditor added that the current liability was 15% to fund the gap and it was likely that the estimate would increase in future years.

The Value for Money Conclusion had not been included in the previous progress report presented to the Corporate Affairs Committee in September 2013. A sample of the Council's cost saving schemes as reported with the 2012/2013 revenue outturn to the Overview and Scrutiny Board in July 2013 had been reviewed. In general, appropriate recurrent savings had been made. However, a recommendation in respect of the Looked After Children budget had been made. In addition, a high-level review of the Adult Social Care demand led budget model had concluded that it provided good information to management on which to base decisions, by separating the impact of non-controllable changes in demand from other controllable costs. The External Auditor had made a recommendation that that the Council adopted such a model for the Looked After Children budget which was also considered to be demand-led.

The External Auditor had also been commissioned to do a Governance Review, the findings of which would be reported to the Audit and Governance Committee in due course.

The External Auditor had reviewed the 2013/2014 budget and savings programmes for adequacy and considered the Council's ability to meet its liabilities and provide services in the future and concluded that the Council was able to prepare accounts on the Going Concern basis.

The External Auditor proposed a number of recommendations for improvement on the Council's processes in producing the financial statements as follows:

- Heritage Assets - involvement of curators in the year-end closedown process and improving documentation of heritage assets on asset registers.
- Communication - improving communication across the Council in producing the accounts.
- Fixed Asset Valuations - better utilising knowledge obtained by the valuer.
- Related parties - adopting a register for senior officer interests.
- NHS contracts - reviewing contracts where counterparties had changed to ensure their enforceability.
- Treasury Management Policy compliance - increased frequency of reporting to Members.
- Presentation - improving the structure and flow of the annual accounts.
- Looked After Children budget - adopting a demand based budget model.

The Deputy Director of Resources confirmed that the recommendations highlighted by the External Auditor were being addressed.

With regard to the Asset Register and leases, strategic resources staff could only act on the information they held. Strategic Resources previously relied on service areas to inform them of any changes. In future, service areas would be instructed in relation to the importance of informing Strategic Resources of any sales or purchase of assets or events that might materially affect the valuation of an existing asset.

A register for Senior Officers' interests based on the Members' Register had been compiled and was almost complete. The Senior Officers' Register of Interests would be reviewed and updated annually and the Deputy Director of Resources agreed that additional information, for example in relation to membership of outside bodies could be added if required.

With regard to reviewing NHS contracts, Members voiced concern that the wording of the External Auditor's recommendation did not assure them that new contracts would be issued. The Deputy Director of Resources confirmed that new contracts would be issued where a review of the existing contract deemed this to be necessary.

In relation to Treasury Management Policy compliance, and at the request of the Corporate Affairs Committee, the Council would provide an annual report that contained both the details of the year end position as well as the projected year end position for the following year.

In respect of presentation and improving the structure and flow of the annual accounts to make them more user-friendly, it was highlighted that the Foreword had been expanded significantly to include a fuller explanation in relation to the Balance Sheet and future issues which might arise. Whilst the actual content of the Accounts would not change, it was hoped that the additional narrative would make them easier to understand.

As noted earlier in the meeting, the External Auditor had also made a recommendation that the Council adopted a similar model for the Looked After Children budget to the one used in Adult Social Care.

Finally the External Auditor made reference to information on Independence, and the Responsibility Statement which were included in the report as required under International Standards on Auditing.

**ORDERED** that the External Auditor's ISA260 Report on the 2012/2013 Audit be approved.