

MEETING AC.08:0910
DATE 28.01.10

South Somerset District Council

Minutes of a meeting of the **Audit Committee** held in the Main Committee Room, Council Offices, Brympton Way, Yeovil on **Thursday, 28th January 2010.**

(10.00 a.m. – 10.45 a.m.)

Present:

Members: Derek Yeomans (in the Chair)

John Calvert	Peter Roake
John Hann	Alan Smith
Ian Martin	Colin Winder
Roy Mills	

Also Present:

Tim Carroll
Robin Munday

Officers:

Donna Parham	Assistant Director - Finance and Corporate Services
Amanda Card	Finance Manager
Gary Russ	Procurement and Risk Manager
Karen Gubbins	Principal Accountant - Exchequer
Andrew Blackburn	Committee Administrator

64. Minutes (Agenda item 1)

The minutes of the meeting held on the 10th December 2009, copies of which had been circulated, were taken as read and, having been approved as a correct record, were signed by the Chairman.

65. Apologies for Absence (Agenda item 2)

An apology for absence was received from Cllr. Mike Best.

66. Declarations of Interest (Agenda item 3)

There were no declarations of interest.

67. Public Question Time (Agenda item 4)

No questions or comments were raised by members of the public.

68. Preparation of 2010/11 Statement of Accounts and IFRS (Agenda item 5)

The Finance Manager summarised the agenda report, which updated members on the progress being made on implementing statutorily required changes in financial reporting from UK General Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS). The Finance Manager also referred to the action plan (Appendix A of the agenda report) that had been produced to ensure that the Council achieved relevant timescales in order to comply with the statutory requirements and reported that the officers were on target to meet the action plan dates.

The officers then responded to members' questions and comments. Points addressed included the following:-

- reference was made to lessee and lessor accounting and the work that was being carried out to assess whether the leases would become a finance lease and to the consequent accounting requirements that would need to be applied retrospectively. In response to a question, the Finance Manager reported that the new accounting requirements would have to be carried out from the inception date of the lease;
- with regard to fixed asset accounting, the Finance Manager indicated that officers would need to go through all the assets (plant, property and equipment) on the Council's Asset Register to ensure that they were being categorised appropriately in accordance with the definition within IFRS;
- the Finance Manager confirmed that there was a need to record how many days leave each employee had taken up until 31st March together with how many hours flexi-leave had been accumulated, which would be used to quantify a monetary value, the purpose of which was detailed in the agenda report. An Employee Benefit Reserve would then be created with the amount being debited from the General Fund;
- the Finance Manager confirmed that IFRS was a corporate issue that did not solely rest with the Finance Team. For example, reliance would be placed on service managers to supply the information required on holiday entitlement on which the calculations would be based. The Finance Manager also referred to a check being made with service managers that leases shown on the Lease Register were still in existence. It was mentioned that a spreadsheet was sent to service managers making it clear what information was required and assurances had been received about it being correct;
- the Finance Manager explained the meaning of the terms finance lease and operating lease and the differences between them;
- it was noted that there were no standard forms or templates giving guidance to local authorities on how the accounts should be laid out and that guidance notes were awaited from CIPFA;
- in response to a question, the Finance Manager commented that bearing in mind the increased accounting that was involved for the Council to be IFRS compliant, it would mean that there would also be an increase in the work of the Audit Commission in conducting the audit of the accounts;
- the reason for the change in local authority accounting practices was basically to bring them up to international standards and to bring them in line with the private sector;

- the new standards required officers to be more judgemental in carrying out certain assessments and although the Finance Team had set a policy/standard to work to there were areas that were open to interpretation and potential dispute. The Assistant Director - Finance and Corporate Services, commented that she felt that it was useful to be proactive and reported that there was frequent dialogue with the auditors and these issues were discussed with them;
- a member queried whether there would be additional costs to the authority in making the transition to the new accounting regime. The officers commented that it was not so much that there would be extra cost but more a matter of absorbing the additional work. The Assistant Director - Finance and Corporate Services, indicated that implementing the new standards may mean less capacity to do other things but the team was well prepared and the workload was being spread.

- RESOLVED:** (1) that members note the action plan that is in place to meet the timeframes for International Financial Reporting Standards to be implemented;
- (2) that members note the progress being made on implementing statutory required changes in financial reporting under International Financial Reporting Standards;
- (3) that members recognise that IFRS is a corporate issue and does not rest solely with finance.

(Amanda Card, Finance Manager - 01935 462542)
(amanda.card@southsomerset.gov.uk)

69. Purchase Orders - Update on Improvements to Finance System (Agenda Item 6)

The Principal Accountant - Exchequer summarised the agenda report, which updated members on the improvements to the financial system with regard to streamlining the purchase ordering process.

In updating the report, the Principal Accountant referred to the quantity of invoices processed that were order related and reported that taking into account a further 1,900 to 2,000 invoices relating to Lufton Depot where purchase orders had been raised on Fleetmaster, the number of order related invoices was 27% rather than 20% as shown in the agenda report. In referring to the variance of a specified percentage or a fixed amount between an invoice and a purchase order that would be accepted to enable an invoice to be processed without any delay, the Principal Accountant reported that the Financial System Team had indicated that the system could use either a percentage or a fixed value or both.

The Committee indicated its support for official purchase orders being used for orders of goods and services together with their subsequent correlation with the invoice, although it was recognised that in some special circumstances, e.g. payment of quarterly energy costs, it was not practicable to do so.

RESOLVED: that members note the proposed improvements to the financial system in order to streamline the purchase ordering and payment process.

*(Karen Gubbins, Principal Accountant - Exchequer - 01935 462456)
(karen.gubbins@southsomerset.gov.uk)*

70. Monitoring and Control of Procurement Activity - Update (Agenda item 7)

The Procurement and Risk Manager summarised the agenda report, which detailed the actions being taken to enable better monitoring and control of procurement activity. It was noted that those actions combined with other measures already introduced were leading to better more effective procurement decisions being taken.

In addition to those matters indicated in the agenda report, the Procurement and Risk Manager referred to there having previously been uncertainty regarding whether the legal team or the procurement team should examine contracts. It had now been agreed that all contracts would be dealt with by the procurement team and that only in circumstances where legal issues needed resolving would they be referred to the legal team.

Members indicated that they were pleased with the progress being made to improve the monitoring and control of procurement activity.

- RESOLVED:**
- (1) that the report of the Procurement and Risk Manager be noted;
 - (2) that the role of the Procurement Board (made up of lead officers from the main services of the Council) be endorsed;
 - (3) that the Committee support the continuing efforts to use purchase orders and the purchasing system as a means of giving the Procurement and Risk Manager visibility over local procurement activity.

*(Gary Russ, Procurement and Risk Manager - 01935 462076)
(gary.russ@southsomerset.gov.uk)*

71. Date of Next Meeting (Agenda item 8)

Members noted that the next meeting of the Committee would be held on Thursday, 25th February 2010 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.

NOTED.

*(Andrew Blackburn, Committee Administrator – 01460 260441)
(andrew.blackburn@southsomerset.gov.uk)*

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Chairman