

## **CORPORATE GOVERNANCE COMMITTEE**

Minutes of a meeting of the Corporate Governance Committee held in CONFERENCE ROOM 1b, COUNTY HALL, RUTHIN on Wednesday, 26 September 2012 at 9.30 am.

### **PRESENT**

Councillors Stuart Davies, Martyn Holland and Jason McLellan (Chair) and Paul Whitham (Lay Member).

Councillors Bill Tasker and Julian Thompson-Hill attended as Observers.

### **ALSO PRESENT**

Head of Legal and Democratic Services (GW), Head of Finance and Assets (PM), Chief Accountant (RW), Capital Finance Manager (VH), Technical Accounts (SJ), Wales Audit Office Representatives (DO, AV and NR) and Committee Administrator (CIW).

#### **1 APOLOGIES**

Apologies for absence were received from Councillors Raymond Bartley, Gwyneth Kensler and David Simmons

#### **2 DECLARATION OF INTERESTS**

***RESOLVED** – that no Members declared any personal or prejudicial interests in any business identified to be considered at this meeting.*

#### **3 URGENT MATTERS**

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

#### **4 MINUTES**

The Minutes of a meeting of the Corporate Governance Committee held on 5<sup>th</sup> September, 2012 were submitted.

Matters arising:-

6. Internal Audit Progress Report - In response to a question from Councillor M.L. Holland regarding the submission to the Committee of the final audit report in respect of Home to School Transport Services, the Head of Finance and Assets (HFA) explained that the report, which was currently being finalised, would be circulated to Members of the Corporate Governance Committee when concluded.

8. Treasury Management Report – In reply to a question from Mr P. Whitham regarding training provision in respect of treasury management, the HFA explained

that a report, or training session, would be provided on a quarterly basis with the next session or report scheduled for December, 2012.

**RESOLVED** – *that, subject to the above, the minutes be received and approved as a true and correct record.*

## **5 STATEMENT OF ACCOUNTS 2011/2012**

A copy of a report by the Head of Finance and Assets, which sought Members' approval of the Council's Statement of Accounts 2011/12, had been circulated at the meeting.

The Head of Finance and Assets explained that the Council had a statutory duty to produce a statement of accounts which complied with approved accounting standards. The Financial Statements for 2011/12 had been approved, subject to audit, by the Chief Finance Officer in June, 2012. The Accounts and Audit Regulations require that the Council formally approves the audited accounts, which contain the external auditor's opinion, by the end of September, 2012. Formal approval of the audited accounts, by elected Members on behalf of the Council, had been delegated to the Corporate Governance Committee. It was confirmed that the accounts had been made available for audit and been open to public inspection. The Wales Audit Office had submitted an Audit of the Financial Statements Report which included an overview of their findings and an assessment of the process.

The Statement of Accounts, which comprised of 149 pages, had been produced in compliance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting. In response to a question from Councillor M.L. Holland, the Chief Accountant provided details pertaining to the IFRS and explained that compliance with IFRS had been a requirement since 2010/11 with the continued introduction of new standards or requirements. The most notable change for the 2011/12 accounts had been the introduction of a new class of assets referred to as heritage assets, and the Council had in accordance amended its accounting policies and disclosures within the accounts in compliance with the Code of Practice.

The IFRS accounting standards had been adopted across the world. However, as some areas of public sector accounting treatment diverged from IFRS, as in legislative requirements, International Public Sector Accounting Standards had been introduced to address these provisions.

The Wales Audit Office had worked closely with the Finance team to ensure the timely and successful finalisation of the audit. The audit process had resulted in some technical adjustments, other corrections and amendments and details had been included in the Auditor's Report.

The Statement of Accounts had again received an unqualified audit opinion which had been a significant achievement given the scale and complexity of the accounts. There had been a major exercise in 2010/11 to successfully produce accounts compliant with new international standards, and the process of implementing IFRS

had continued as additional requirements were introduced. Internal procedures would be reviewed annually to ensure that the Council continued to deliver high quality financial statements.

The Acting Chief Accountant highlighted the complex nature of the accounts and with the aid of a power point presentation provided an overview of the processes adopted. This included a detailed summary in respect of the following key areas and issues pertaining to the Statement of Accounts:-

- Overview
- Accounts
- Main Financial Statements
- Process Adopted
- Link to Revenue Budgets
- Key Numbers and Notes
- Audit Process
- Questions

The presentation provided an overview of the main changes which included the introduction of the new class of heritage assets. It was confirmed that the Council had in accordance amended its accounting policies and disclosures within the accounts in compliance with the Code of Practice.

In reply to questions from Members of the Committee, the Head of Finance and Assets provided the following responses:-

- copies of the draft accounts would in future be presented on an annual basis to Members of the Corporate Governance Committee.
- hard copies of the reports for 2011/12, and for future years, could be provided for Members in addition to the electronic versions.
- an outline was provided of the difficulties encountered in providing a valuation in respect of heritage assets.
- details provided in relation to the significance of budgeted reserves in relation to the final accounts and provisions for bad debts.
- in relation to the provision of assurances regarding consistency of entries in the asset register and inventories, particular reference being made to heritage assets and specific artefacts held by the Council. It was explained that there was now a reliance on the provision of detailed accurate information from the professionals within the Museum Service, together with the assistance of the Internal Audit process.

A copy of the Audit of the Financial Statement Report had been circulated to Members of the Committee. The Council's External Auditors, Wales Audit Office, presented the findings of their audit work in relation to the Statement of Accounts 2011/2012 and provided a detailed summary which highlighted the following issues and areas:-

- Provision of an opinion on whether the financial statements provided a true and fair view of the financial position of the Council at the 31<sup>st</sup> March, 2012, and its income and expenditure for the year.
- Audit work in respect of the draft financial statements for the year ended 31<sup>st</sup> March, 2012 having been substantially completed.
- Reporting of the more significant issues arising from the audit, which the audit team had already discussed with the Head of Finance and Assets.
- The adoption of the concept of materiality to identify material misstatements in the financial statements.
- Details of the quantitative levels at which misstatements were judged.
- To issue an unqualified audit report on Denbighshire's financial statements and to report issues prior to their approval.
- The opinion of the Wales Audit Office being that Denbighshire's accounts having represented a true view of the financial position, balances and transactions.
- It being the intention to issue an unqualified audit report on the financial statements following the provision of a Letter of Representation based on that set out in Appendix 1 to the report.
- The proposed audit report having been set out in Appendix 2.
- There being no misstatements identified in the financial statements, which remain uncorrected.
- Misstatements corrected by management, which due to their relevance in the financial reporting process, had been set out with explanations in Appendix 3.
- Matters considered both qualitative and quantitative relating to the accounts had been included in the report.
- There being no other significant issues arising from the audit.
- Reference being made to a cut-off error relating to the Capital Programme, which it was confirmed would be inevitability due to the closure of the creditor system on a given date.

The Wales Audit Office representatives thanked the Denbighshire Finance Team for the work undertaken in producing the Council's Statement of Accounts and for their assistance and support. The WAO confirmed the high quality of the accounts which had again received an unqualified audit opinion.

In response to a matter raised by Councillor M.L. Holland, it was confirmed that there was no issues of concern regarding the Councils' accounting process, records or transactions.

The Head of Finance and Assets paid tribute to the hard and challenging work undertaken by the Finance Team in producing the final set of accounts, and highlighted the significant increase in the amount of detail required in compiling with the continuing changes to the IFRS.

During the ensuing discussion the Chair and Members of the Committee thanked the Finance Team for their hard work and the quality and standard of the Statement of Accounts produced.

**RESOLVED** – that:-

- (a) the audited Statement of Accounts 2011/2012, Appendix 1 to the report, be approved and signed by the Chair of the Corporate Governance Committee, and*
- (b) the Chair of the Corporate Governance Committee and Chief Finance Officer sign the Letter of Representation.*

Meeting ended at 10.30 a.m.