

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Audit and Governance Committee **Date:** Monday, 21 June 2010

Place: Council Chamber, Civic Offices, High Street, Epping **Time:** 7.00 - 9.15 pm

Members Present: A Green (Chairman), Mrs M Peddle (Vice-Chairman), R Thompson, A Watts and J M Whitehouse

Other Councillors: Mrs D Collins, D Stallan, C Whitbread, R Bassett and B Rolfe

Apologies: P Pledger and R Bint (External Auditor)

Officers Present: R Palmer (Director of Finance and ICT), B Bassington (Chief Internal Auditor), K Durrani (Assistant Director Technical (Environment and Street Scene)), P Maddock (Assistant Director (Accountancy)), D Newton (Assistant Director (ICT)), J Twinn (Assistant Director (Benefits)), G Barton (Audit Contractor), S G Hill (Senior Democratic Services Officer), P Seager (Chairman's Secretary) and G J Woodhall (Democratic Services Officer)

Also in attendance: I Davidson, A Ashby (Audit Commission), L Clampin and C Beesley (External Auditors)

1. WEBCASTING INTRODUCTION

The Chairman reminded everyone present that the meeting would be broadcast live to the Internet, and that the Council had adopted a protocol for the webcasting of its meetings.

2. DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

3. MINUTES

RESOLVED:

(1) That the minutes of the meeting held on 29 March 2010 be taken as read and signed by the Chairman as a correct record, subject to the following amendment:

(a) Minute 65 – Use of Resources Assessment 2008/09. Amending the comments of the External Auditor regarding the skill gaps for elected Members that required addressing to read:

“the need to define the skills and knowledge required for particular Committees so that Members could make informed self assessments of their training needs.”

4. MATTERS ARISING

It was noted that there were no matters arising from the previous meeting for the Committee to consider.

5. ANY OTHER BUSINESS

It was noted that there was no other urgent business for consideration by the Committee.

6. CORPORATE GOVERNANCE GROUP - 24 MARCH 2010

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 24 March 2010. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

RESOLVED:

(1) That the minutes of the meeting of the Corporate Governance Group held on 24 March 2010 be noted.

7. CORPORATE GOVERNANCE GROUP - 21 APRIL 2010

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 21 April 2010. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

RESOLVED:

(1) That the minutes of the meeting of the Corporate Governance Group held on 21 April 2010 be noted.

8. CORPORATE GOVERNANCE GROUP - 19 MAY 2010

The Director of Finance & ICT presented the minutes from the meeting of the Corporate Governance Group held on 19 May 2010. The Committee's attention was drawn to the topics of discussion and actions arising from the meeting.

(i) Minute 141 – Audit Commission National Local Government Studies. The Committee had previously requested for all these reports to be available and that they should be reviewed with any recommendations relevant to the Council implemented. There was some doubt expressed over whether this was actually happening and it was felt that there should be a summary of each new Study issued for the Committee to consider at its meetings to enable the Council to follow recommended best practice.

(ii) Minute 144 – Internal Audit Quarterly Report (January to March 2010). The Chief Internal Auditor reported that the Guidance Note mentioned in the minute had yet to be published. Guidance for the Financial Regulations had been completed but not Contract Standing Orders. A copy would be submitted to a meeting of the Committee for approval prior to it being published in the Council Bulletin.

(iii) Minute 145 – Corporate Risk Register Update. The Committee queried whether the District would suffer any large-scale disruption during the 2012 Olympic Games as none of the proposed venues were situated in Epping Forest. The Director of Finance & ICT stated that the main issue was the Olympic Delivery Authority encouraging spectators to use public transport to travel to venues. In the case of the main Olympic Stadium, this would involve additional passengers on the Central Line travelling to Stratford. Essex Police and the Olympic Delivery Authority were aware of the potential problems and discussions had begun to minimise the disruption to the

local travel network and the delivery of Council services. The Committee were also pleased that work was being undertaken to link the Risk Register with individual Service Plans.

RESOLVED:

- (1) That a summary of each new Audit Commission National Local Government Study issued be included on the agenda at every meeting of the Committee; and
- (2) That the minutes of the meeting of the Corporate Governance Group held on 19 May 2010 be noted.

9. AUDIT COMMISSION NATIONAL LOCAL GOVERNMENT STUDIES

The Director of Finance & ICT provided details of the recent National Local Government Studies published by the Audit Commission, that were relevant to the Council's areas of service provision. The only report for consideration on this occasion was entitled "Surviving the Crunch: Local Finances in the Recession and Beyond". The Executive Summary and Recommendations had been attached to the agenda for the Committee to consider.

The Director of Finance & ICT stated that the issues raised by the report of relevance to the Council would be incorporated in the new Medium Term Financial Strategy, due for publication in the autumn. The Committee was informed that a report had been considered at the previous meeting of the Finance & Performance Management Cabinet Committee on the effects of recent Government announcements. Council Tax would not be permitted to increase over the next two years, and it was increasingly likely that the Revenue Support Grant would be reduced by 15%, rather than the 10% originally planned for. It was forecast that the most likely effects on the Council would be the need to make savings of £2million within the Continuing Services Budget over the next three years. The Director of Corporate Support Services had seen the report and the Human Resources issues would be considered.

RESOLVED:

- (1) That the National Report "Surviving the Crunch: Local Finances in the Recession and Beyond" published by the Audit Commission be noted as relevant to an area of the Council's service provision.

10. REPORTS OF THE EXTERNAL AUDITOR

The Director of Finance & ICT introduced three reports from the External Auditors and Audit Commission regarding: the Annual Audit Fee Letter for 2010/11; a letter regarding the future of Comprehensive Area Assessments; and an Inspection report upon the Benefits service.

(a) Annual Audit Fee Letter for 2010/11

The External Auditor introduced the Annual Audit Fee Letter for 2010/11, which set out the proposed audit work for the year and estimated costs. The Committee was advised that the total Audit Fee for 2010/11 had been forecast at £149,700 with an additional estimated fee of £62,000 for work relating to the certification of grant claims. A charge had been included for the introduction of International Financial Reporting Standards (IFRS), however the Audit Commission had agreed to subsidise this work with a rebate of £8,179.

The Use of Resources assessment methodology would be based upon the three themes of: Managing Finances; Governing the Business; and Managing Resources. The initial risk assessment for the Value for Money audit had identified an indicative key risk in that the leadership and strategic capacity of the Council could be adversely impacted by the protracted discussions concerning the senior management structure. Two further factors, whilst not significant risks, also merited audit emphasis:

- (i) the implementation of the International Financial Reporting Standards in 2010/11, which would require the restatement of some of the figures in 2009/10 for comparison; and
- (ii) the Council's involvement in the ongoing restructuring in Essex concerning the safeguarding of children.

The implementation of the International Financial Reporting Standards had also been identified as an indicative significant risk for the Council's accounts.

The External Auditor reported that an estimated fee of £9,152 had also been included for the Council's organisational assessment as part of the Comprehensive Area Assessment. The planned outputs from the 2010/11 audit were the Use of Resources assessment report in October 2010, the detailed Audit Plan in December 2010, the Annual Governance report in September 2011 and the Annual Audit Letter in November 2011. A further report upon the certification of grant claims for the year ended 31 March 2011 would be presented in February 2012.

In response to questions from the Committee, the External Auditor acknowledged the recent announcement from the Government regarding the demise of Comprehensive Area Assessments; however this would have a minimal impact upon the fees quoted for 2010/11. There had been no indication as yet of the new approach to replace the area-based assessments. The representative from the Audit Commission added that the Use of Resources assessment would probably be more risk based and financially driven in the future, although no indications could be given of the effect this would have on future costs.

The Director of Finance & ICT reported that the Council had been represented at a number of seminars on the introduction of the new financial reporting standards, and had been involved in a number of joint working initiatives across the county. The major issue would be restating the Balance Sheet for 2009/10, but there was confidence that the Council would meet its deadline. The implementation of the new standards would make the accounts more difficult for the public to understand, as they would be bigger with more disclosure notes. The Committee agreed that the Accounts were becoming too complicated for residents to understand. The External Auditor added that the impact of publishing all public sector transactions in excess of £500, recently announced by the Government, had not been examined.

(b) Comprehensive Area Assessments

The Representative from the Audit Commission introduced a letter regarding the arrangements for ceasing work on Comprehensive Area Assessments, following the new Government's decision to abolish them. Discussions were in progress about the future approach to inspection, however the Audit Commission would continue with the limited programme of risk-based inspections currently in progress. The Council would be informed of any new developments once they had been agreed. Officers

and Members were thanked for their cooperation and the work previously performed by the Council during the assessments.

(c) Benefits Service Inspection

The Representative from the Audit Commission introduced an inspection report upon the Benefits Service published in May 2010. The Council had been assessed as providing a poor service that had uncertain prospects for improvement. Vulnerable people that needed benefits were not getting a good service and although there were some signs of improvement, progress had been slow. Claimants who made a new claim or lodged an appeal faced lengthy delays; during 2008/09, new claimants waited an average of 47 days for their benefit. As there were no service standards in place, users were unable to judge the performance levels of the Service.

The report stated that some customers found it difficult to access the Service due to its location and the opening times of the Civic Offices in Epping. The Service could do more to encourage residents to claim benefits, and was not doing enough to make sure that the right people received the right benefit. Counter-fraud work did not present an effective deterrent to fraudsters and the Investigation Team had failed to achieve its targets due to being under-staffed for over 12 months. The Service was not achieving good value for money and service costs were high in comparison with other Councils; benchmarking had not identified ways of working more efficiently.

The report acknowledged that some progress had been by the Service: backlogs had been cleared; the time taken to process changes in circumstance had achieved sustained improvement; the time taken to process new claims was improving, albeit slowly; staff capacity had increased through effective sickness management; there was a clearer focus on staff training; and all staff vacancies were expected to be filled during 2010. Corporate performance management had also improved with better rates of participation and smarter action plans for performance development reviews. Service planning for this year had started earlier, and the Council was moving to two-year plans to improve continuity.

However, the report concluded that the Service did not have a clear and consistent record of improvement, with limited progress achieved against the 2008/09 Service Plan objectives. The report had made six recommendations for improvement, for which a post-inspection Action Plan had been drawn up. The Service would be re-inspected within the next two years to provide assurance that sustained improvements had been realised.

The Portfolio Holder for Finance & ICT expressed his disappointment with the conclusions of the report. Benefits staff worked extremely hard in difficult circumstances to ensure that Benefits applications were processed as accurately and quickly as possible. It was highlighted that the economic downturn had caused a significant increase in workload over the preceding eighteen month period, with many new applicants who required more support from staff. The Council had also replaced its obsolete Benefits Processing system during 2008/09, which had also added to the delays experienced by users. It was acknowledged that improvement in the Service's performance was required, and that this would be demonstrated in the Service's next inspection. The Portfolio Holder thanked all the staff in the Benefits Service for their hard work and dedication.

The Committee accepted that the Service was not performing as it should be, and noted that the Finance & Performance Management Scrutiny Panel would be monitoring progress against the agreed Action Plan. The lack of clear Service Standards gave the potential for risks, and the lack of a strategy for tackling fraud

also gave further potential for financial risk. The Committee believed that the Action Plan should be amended to include the critical success factors as well as milestones for implementing each recommendation. The Committee also wanted to consider further reports if there were any problems in implementing the recommendations from the Action Plan, and the Core Strategy for the Benefits Service after it had been completed and reviewed by Internal Audit.

RESOLVED:

- (1) That the Annual Audit Fee Letter for 2010/11 from the External Auditor be noted;
- (2) That the letter from the Audit Commission detailing the arrangements for the termination of Comprehensive Area Assessments be noted;
- (3) That the inspection report for the Benefits Service by the Audit Commission be noted;
- (4) That the Action Plan from the inspection of the Benefits Service, with six recommendations, be noted and amended to include the:
 - (a) milestones for implementing the recommendations; and
 - (b) critical success factors;
- (5) That further reports be considered by the Committee whenever problems were encountered in implementing the recommendations of the Action Plan from the inspection of the Benefits Service; and
- (6) That the Core Strategy for the Benefits Service be considered by the Committee following its completion and review by Internal Audit.

11. INTERNAL AUDIT MONITORING REPORT - JANUARY TO MARCH 2010

The Chief Internal Auditor presented the Internal Audit Monitoring Report for the fourth quarter of 2009/10, along with the current Audit Plan Status Report for 2009/10.

The Chief Internal Auditor advised the Committee of the audit reports that had been issued during the fourth quarter:

- (a) Substantial Assurance:
 - Council Tax;
 - Treasury Management;
 - Creditors; and
 - Sundry Debtors.
- (b) Satisfactory Assurance:
 - Housing & Council Tax Benefits;
 - Recruitment & Selection; and
 - Risk Management & Insurance.
- (c) Limited Assurance:
 - Contracts Compliance;
 - Stores Stocktake; and
 - ICT System Logs.

No reports had been issued without assurance. There were five reports outstanding from the Contractor Deloitte and Touche at 31 March 2010: Network Security; Budgetary Control; Main Accounting System; Procurement; and ICT Procurement. The audits had actually been completed but the reports were being finalised, therefore these audits had not been included in the performance figures.

The Committee's attention was drawn to the Priority 1 Actions Status report, and the Limited Assurance Audit Follow Up Status report. It was also noted that the Action Plan arising from the Annual Governance Statement had been appended to allow the Committee to monitor progress against the targets.

The Chief Internal Auditor reported upon the current status of the Internal Audit Unit's Local Performance Indicators for 2009/10.

- | | | | |
|---|----------------------------|-------------|------------------|
| • | % Planned Audits Completed | Target 90% | Actual 87%; |
| • | % Chargeable Staff Time | Target 72% | Actual 69%; |
| • | Average Cost per Audit Day | Target £320 | Actual £300; and |
| • | % User Satisfaction | Target 85% | Actual 94%. |

The target for planned audits completed had fallen short of the target due to the vacancy factor throughout the year, however this figure had improved due to the addition of the contracted out work and the employment of temporary staff.

For the audits ranked as Limited Assurance, the Chief Internal Auditor added that: for the Stores Stocktake audit, a database had failed and there was no back-up system in place; not all Directorates were strictly complying with Contract Standing Orders; and not all of the ICT transaction and access violation logs were available when requested. The Committee was assured that performance would improve in all three areas. It was also highlighted that Deloitte and Touche utilised a slightly different categorisation for their audits and agreement was being sought for the Council to implement the Deloitte system. The Chief Internal Auditor confirmed that the three substantial audits performed by Deloitte and Touche would have been rated as satisfactory on the Council's scale. It was also intended to redesign the User Satisfaction form during 2010/11, and the Chief Internal Auditor confirmed that the Performance Indicators had included all completed audits undertaken by Deloitte and Touche.

The Director of Finance & ICT stated that further Guidance Notes would be issued to all the Council's Risk Champions following consideration by the Risk Management and Corporate Governance Groups. The Committee was reminded that members of the Risk Management Group were fully trained in Risk Management issues, with recent audits being satisfied that the process had been suitably embedded within the Council. All the Risk Champions were members of the Risk Management Group.

The Chief Internal Auditor concluded by stating that the current Audit Plan for 2010/11 had been based upon the risk registers for each directorate, and that the External Funding Audits for the Planning & Economic Development Directorate – currently listed as in progress - would be completed in the first quarter of 2010/11.

RESOLVED:

- (1) That the following issues arising from the Internal Audit Monitoring Report for the fourth quarter of 2009/10 be noted:

- (a) the Audit reports issued between January and March 2010 and significant findings therein;
 - (b) the Priority 1 Actions Status Report;
 - (c) the Limited Assurance Audit Follow-Up Status Report;
 - (d) the Audit Plan Status Report 2009/10; and
 - (e) the Governance Statement Action Plan for 2008/09;
- (2) That the Committee's satisfaction with the effectiveness of the work of Internal Audit during the fourth quarter of 2009/10 be confirmed; and
- (3) That the system of audit categorisation employed by Deloitte and Touche be implemented by the Internal Audit Unit for all future audit reports.

12. INTERNAL AUDIT ANNUAL REPORT 2009/10

The Chief Internal Auditor introduced the Internal Audit Annual Report for 2009/10. It had been prepared using the Code of Practice produced by CIPFA and aimed to reconcile the workings of Internal Audit with the Audit Plan. The report formed part of the evidence that underpinned the Corporate Governance Statement published in the Council's Statutory Statement of Accounts. Internal Audit was provided as part of the Council's statutory responsibility to make arrangements for the proper administration of its financial affairs. The Council's External Auditor had a statutory duty to express an independent opinion on the Council's accounts, performance management and the financial aspects of its corporate governance. Internal Audit had worked closely with the External Auditor in order to avoid duplication of effort and to ensure that the Council received a comprehensive audit coverage.

The Chief Internal Auditor reported that during 2009/10, 47 audit reports had been issued, of which 11 (23%) had been issued with substantial assurance (an increase of seven on the previous year) and 9 (19%) had been issued with limited assurance (a decrease of 11 from the previous year). There were no audit reports issued without assurance. The number of priority one recommendations made throughout the year had also fallen to 39, compared to 74 for the previous year.

The Chief Internal Auditor had concluded that there were no significant weaknesses in the Council's control environment and that the systems were generally operating satisfactorily with appropriate follow-up action taken where necessary. There had been no material errors arising from the Internal Audit work on the Council's major financial systems, although occasional lapses in the application of financial regulations and contract standing orders had been identified. Overall, the Chief Internal Auditor had concluded that the Council had a satisfactory framework of internal control in place, which had provided reasonable assurance regarding the efficient and effective achievement of objectives throughout the year.

The Committee noted the findings of the report and were particularly pleased at the decrease in audit reports with a limited assurance. The Committee was satisfied with the effectiveness of the work of Internal Audit during 2009/10.

RESOLVED:

- (1) That the Audit Plan Status Report for 2009/10 and the level of assurance given by the Chief Internal Auditor be noted; and

(2) That the satisfaction of the Committee with the effectiveness of the Internal Audit Unit during 2009/10 be confirmed.

13. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

The Chief Internal Auditor introduced a report on the review of the Effectiveness of the System of Internal Audit. The Accounts and Audit Regulations included a requirement for the Authority to carry out an annual review of the effectiveness of its system of Internal Audit as part of the wider review of the effectiveness of the system of governance. The Committee had previously resolved that the system of Internal Audit be reviewed, using information on performance and effectiveness provided by the Chief Internal Auditor in conjunction with a self-assessment based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

The Chief Internal Auditor reported that the performance of Internal Audit had almost met its key work plan target in 2009/10 and the External Auditor had been able to rely on the work of Internal Audit when conducting their review of the Council's accounts in 2008/09. The Work of the Audit & Governance Committee had also made an important contribution to the securing of further improvements in the Council's system of governance, including internal control, and had complied with the key requirements of an Audit Committee as set out by CIPFA. Internal Audit had demonstrated that it had a good understanding of the Council's functions and the Corporate Executive Forum was satisfied that the Council's system of Internal Audit had been effective during 2008/09.

The Chief Internal Auditor added that the Council had scored 180 (out of 192) for the Good Practice Questionnaire now included as a required data set in the CIPFA Benchmarking return; the areas of non-compliance or weakness would be reviewed over the coming year. This report was similar in nature to the Internal Audit Annual Report, and the Chief Internal Auditor planned to merge these reports together for the next municipal year.

RESOLVED:

(1) That the review of the effectiveness of the system of Internal Audit undertaken by the Corporate Executive Forum and in the context of the Council's Governance Statement be noted; and

(2) That, in scrutinising the Officer review, the Council's system of Internal Audit be considered effective in 2009/10.

14. ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor introduced a report on the Annual Governance Statement for 2009/10 and the associated Action Plan. The Council's Statutory Statement of Accounts had been prepared in accordance with the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit Regulations (Amendment) (England) 2006). Within the Regulations, and in accordance with defined 'proper practice', there was a mandatory requirement to publish an Annual Governance Statement. The arrangements were designed to provide the Authority with assurance regarding the adequacy of its governance arrangements, and identifying where those arrangements needed to be improved.

The Chief Internal Auditor reported that the Statement itself was partly derived from reviews by the Service Directors of the effectiveness of the governance

arrangements within their Directorates, using a detailed checklist incorporating the key elements within the Local Code of Governance. All of the Directors had provided statements indicating the level of assurance that could be placed on the effectiveness of key controls within their areas of responsibility, and highlighting those areas that required improvement. The most recent Use of Resources assessment in 2009 had rated the Council as 'performing adequately' (score of 2 / 4) for internal control.

The Committee felt that section 7.1.3 regarding the Youth Council was not relevant as there were no governance issues highlighted within the section. Surprise was also expressed that the data protection breach earlier in the year with a Licensing Sub-Committee agenda had not been disclosed, and should be added to the Statement. It was also felt that some clarification should be provided in section 4.2 regarding the correction of financial statements that were below the material error threshold. The detailed checklist used by Directors when reviewing the governance arrangements in their areas should also be appended to the Statement.

The Committee was particularly concerned about section 7.1.4 in connection with the role of the Monitoring Officer and the issues raised in connection with the contract of post XEX/01. The Committee felt that it was right to mention the issue but that it should be summarised and moved to section 7.2 in the Statement as an Internal Control Issue. The Committee had considered this issue during 2009/10 with its review of the roles and duties of the Monitoring Officer and adoption of a Monitoring Officer protocol, and felt that this should have been the emphasis within the Statement rather than the actual events which had led to the review. Subject to the changes highlighted, the Committee was satisfied to recommend the Statement to the Council for approval.

RESOLVED:

(1) That the draft Annual Governance statement for 2009/10 be recommended to the Council for approval, subject to the following amendments:

(a) appending the checklist used by Service Directors to review their governance arrangements;

(b) removing the section concerning the Youth Council as there were no governance issues highlighted within it;

(c) adding a reference to the data protection breach that had occurred with a Licensing Sub-Committee agenda;

(d) providing further information on the correction of financial statements that were below the material threshold; and

(e) redrafting the section from the Monitoring Officer to put the emphasis upon the consideration and adoption of a Monitoring Officer Protocol rather than the preceding events and moving it to section 7.2 as an Internal Control Issue.

15. STATUTORY STATEMENT OF ACCOUNTS 2009/10

The Director of Finance & ICT presented a report concerning the Statutory Statement of Accounts for 2009/10. Consideration of the Accounts was a key role for the Committee prior to their adoption by the Council.

The Director of Finance & ICT reported that there had been no major changes in the content of the Statutory Statement for 2009/10, and that it comprised the same five core financial statements as the previous year; although the Council would have to implement the International Financial Reporting Standards for 2010/11. However, there had been three changes to critical accounting policies and practices. The first was that any surplus or deficit from the collection of Council Tax was now included in the Income and Expenditure Account, whilst any corresponding National Non-Domestic Rates arrears were now shown as amounts due to or from the Government. The second was the inclusion on the Balance Sheet of an Accumulated Absences Account to reflect the flexi-time and annual leave accrued but untaken during the year. The third change was the enhanced salary disclosure whereby pension contributions and other benefits were also listed for the most Senior Officers.

The Director of Finance & ICT reported two decisions within the Statement that required a major element of judgement. The first was the £40million increase in the value of Council dwellings and garages, as the valuation had been carried out by the District Valuer on behalf of the Council. The second was the increase in the Council's liability for the Local Government Pension Scheme from £41.5million to £56.5million, arising from the Scheme's revaluation by the Actuary.

The Director of Finance & ICT advised the Committee of the unusual transactions that had affected the Statement. The Council had received a VAT refund of £1.2million in respect of the supply of sporting services between 1 January 1990 and 31 March 1994. The impairment for the Council's investment in the Heritable Bank, a subsidiary of an Icelandic Bank which was now being held in administration, had been amended following the Administrator's announcement of a projected return to creditors of 85p per £1. This was a 5p per £1 increase on that previously reported. As in previous years, an application had also been made to the Secretary of State to capitalise the movement of £2.5million from the Useable Capital Receipts Reserve to the Pension Deficit Reserve to reduce the Council's liability for the Local Government Pension Scheme.

The Director of Finance & ICT concluded by stating that any significant adjustments to the Accounts arising from the audit would be reported to the Committee, and that no material weaknesses in the Council's internal control had been reported so far. The Committee's attention was also drawn to the Introduction and Explanatory Foreword within the Statement, particularly the forewarning that further savings would be required when the Medium Term Financial Strategy was reviewed, due to the reduction in income anticipated in the Government's next Comprehensive Spending Review.

In response to questions from the Committee about the Council's increased liability to the Local Government Pension Scheme, the Director of Finance & ICT stated that the Council did evaluate the calculations of the Scheme's actuary but the Council could not unilaterally implement any changes as it was a national scheme. The Scheme was currently based on final salary, but it was expected that changes would be implemented in the future to limit losses – for example, moving to a career average earnings basis rather than final salary. The External Auditor added that the management of the local scheme by Essex County Council is subject to external audit and assurances would be sought from the County Council's External Auditor. The Assistant Director (Accountancy) explained that the Council had invested in accounts classed as bank accounts due to the interest rates available; hence, the Balance Sheet entry for £10million cash at bank and in hand.

The Committee were concerned about the listing of Councillor names in the Related Third Party Transactions section. This section was actually indicating the Council's

expenditure on the organisations concerned, but by also listing the Council's representatives on each body, it could be misconstrued that the monies had been paid to the individual Councillors. It was felt that this section should be amended to avoid any confusion.

RESOLVED:

(1) That the Statutory Statement of Accounts for 2009/10 be recommended to the Council for adoption, subject to the following amendment:

(a) removing the Councillors' names listed under the Related Party Transactions as the expenditure was paid to the organisations rather than the individuals.

CHAIRMAN