

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 25th September, 2014, 5.30 pm

Councillors: Andrew Furse (Chair), Gerry Curran, Dave Laming and Brian Webber

Independent Member: John Barker

Officers in attendance: Tim Richens (Divisional Director- Business Support), Jeff Wring (Divisional Director, Risk and Assurance) and Jamie Whittard (Financial Accounting and Planning Team Leader)

Guests in attendance: Barrie Morris (Grant Thornton) and Kevin Henderson (Grant Thornton)

14 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

15 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Will Sandry.

17 DECLARATIONS OF INTEREST

There were none.

18 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

19 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

20 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

21 MINUTES: 13 MAY 2014

The minutes of 13 May 2014 were approved as a correct record and signed by the Chair.

The Divisional Director – Risk and Assurance gave an update on progress towards an audit partnership with North Somerset Council (Minute 9 of the meeting of 13 May

2014). He had been heading up the audit and information governance teams at both Councils for a year as part of developing joint working arrangements. Several joint workshops had taken place and a number of improvements had been made during this period. This included a single audit management system, new audit templates and a new audit manual. He considered that maximum efficiencies would only be achieved when the two internal audit services were fully integrated, and that it was now the right time to recommend a formal internal audit partnership, which had been supported by the S151 Officers of both Councils. He envisaged that a new partnership could be created with Bath & North East Somerset acting as the host authority and partner staff transferring under TUPE. There were many advantages in this approach: there were opportunities for savings in addition to those arising from reduced overheads, there would be a larger pool of skills, and it would be possible for the partnership to sell its services to other public sector bodies. He would give a further update at the December meeting of the Committee. Members indicated their unanimous support for the continuation of progress towards a joint audit partnership.

A Member raised the issue of fatalities in the River Avon, which had been touched on at the previous meeting (Minute 11 of the meeting of 13th May 2014). He was concerned to note that another fatality had occurred nine days previously, and wondered whether the Committee should take a closer look at the issue. The Divisional Director – Audit and Risk reminded Members that the issue had been discussed in relation to the Council's Annual Governance Statement, and the fundamental question had been whether or not failings by the Council had contributed to the fatalities. This was not considered to be the case, and he did not think that there was a specific role for the Committee in the details of the issue. The risk of the Council not carrying out its duties in relation to river safety appeared at service level. However a commitment was made to raise this as a potential corporate risk. Additionally, the Strategic River Group was reporting to a PDS Panel, so there was a channel for Members' concerns. Another Member suggested that the Strategic River Group would be even more effective if it had a representative of Finance as a member. The Divisional Director – Business Support pointed out that the relevant Director had full delegated financial authority for spending on river safety.

22 EXTERNAL AUDIT FINDINGS REPORTS AND ANNUAL ACCOUNTS 2013/14

The Financial Accounting and Planning Team Leader presented and commented on the Council's Statement of Accounts 2013/14. He tabled a document summarising the key elements of the accounts, which is attached as Appendix 1 to these minutes.

The Divisional Director – Business Support drew attention to the use of capital receipts to fund the capital programme to keep borrowing low, explaining the decrease in the Capital Receipts Reserve of £6.4m on the previous year.

Mr Henderson explained that the Unusable Reserves comprised many technical accounting adjustments and were not "real money".

In response to a question from the Chair about the transfer of Community Centres to external parties, the Divisional Director – Business Support explained that they would be reflected in the accounts for the Property Service and in the Balance Sheet. The Financial Accounting and Planning Team Leader explained that value recorded for these transfers included the building and the land.

The Financial Accounting and Planning Team Leader then presented and commented on the Avon Pension Fund Accounts.

The Divisional Director – Business Support thanked the Finance Team for their excellent work and the Grant Thornton team for their constructive working relationship with Council staff.

A Member asked what the financial outlook for the Council was over the next six months. The Divisional Director – Business Support said that things were going reasonably well. At present a small overspend was projected, which had been reported to Cabinet. Directors were reasonably confident that a balanced budget could be delivered over the year.

The Grant Thornton team presented the External Audit Findings Reports for the Council and for the Avon Pension Fund. Mr Morris said that the Council's accounts would be given an unqualified opinion. There had been one objection to the accounts, which he believed would be resolved in the next couple of days. He drew attention to the list of significant risks.

The Chair asked about the valuation of investment assets as mentioned on page 13 of the audit findings for the Council (agenda page 29). Mr Morris explained that the external auditors were satisfied with the values and the accounting for assets, but that there needed to be enhanced reporting arrangements.

Mr Henderson commented on the Value-for-Money report. He said that the Council's financial plan had been delivered, but a balanced budget would be difficult to deliver from 2014/15, though the Council's track record gave some grounds for optimism. The Chair noted that the Council had achieved green for every category in the Red, Amber, Green rating scheme. Mr Henderson responded that the Council had focussed on the right areas and taken the right actions.

Mr Morris said that an additional audit fee of £1,070 would be charged because work on NDR3 claims as explained on page 27 of the Findings Report (agenda page 43). He also said that an additional sentence would have to be added to the certificate, though this was not a reason to delay issuing an opinion on the accounts.

The Grant Thornton team commented on the Findings Report for the Avon Pension Fund. The Chair asked about the £2.2m overpayment of contributions by Bristol City Council referred to on page 10 of the Findings Report (agenda page 62). Mr Morris explained that BCC had not yet decided on whether to seek a repayment or to use the overpayment to pay future contributions.

It was suggested that the issue of payroll system password controls (agenda page 67) should appear in the Findings Report for the Council, not the Avon Pension Fund, as the issue related to former employees of the Council and not to pensioners leaving the Pension Fund. Mr Morris said he would look into this.

The Chair asked about the hot review of the Council undertaken by Grant Thornton. Mr Morris said this was carried out by the Grant Thornton technical team and was another layer of audit aimed at identifying any issues that might have been overlooked. In fact most of the issues thrown up by the hot review had already been identified. Mr Henderson said that the hot review provided no extra assurance about

the validity of the figures in the accounts, but confirmed whether or not there was compliance with the CIPFA Code.

Members asked for further information about the revaluation of assets (agenda page 28). Mr Morris explained that accounting valuation rules change frequently. The latest CIPFA code had provided some new guidance. The Divisional Director – Business Support explained that property assets appeared both in the Council's property register and in the register of fixed assets. There was a need to ensure these records were mutually consistent. The Code now required all assets of the same class should be valued at the same time, for example that all car parks should be valued in the same financial year taking into account all known factors, like the closure of the Police Station next to a Council car park to which a Member had referred. Any subsequent significant impairment of an asset would have to be reflected in the accounts. When an asset was disposed of the full current market rate was considered, without reference to the values recorded on the registers, though the market rate might be discounted by any community benefits to be realised by the transfer of the asset. Any subsequent significant impairment of an asset would have to be reflected in the accounts.

Turning to the Annual Governance Statement, Mr Morris said this had to be signed off on the same day as the accounts. As the Statement had been signed by the Leader of the Council and the Chief Executive on 12 September, he asked the Committee to confirm that no events had occurred since that date requiring the amendment of the Statement. The Divisional Director – Business Support said that officers were able to advise the Committee that no such events had occurred. Mr Morris also invited the Committee to authorise the Chair to send the Letter of Representation.

RESOLVED:

1. To note the issues contained within the Audit Findings Reports for the Council and the Avon Pension Fund.
2. To approve the audited Statement of Accounts for Bath and North East for 2013/14 (including the Annual Governance Statement).
3. To authorise the Chair to sign the Letter of Representation.

23 TREASURY MANAGEMENT OUTTURN 2013/14

The Divisional Director – Business Support presented the report. He said that the Council had continued not to invest in the Eurozone. Cash holdings were low, as cash was being used to finance the capital programme to keep borrowing down. In response to a question from a Member, he said that £10m was available in the Council budget for investment in property. Letting property to long-term tenants made commercial sense in the current environment.

Responding to a Member's question about the valuation of assets, he said that assets were valued on their current use, so that a car park would be valued as a car park, taking into account the future income stream from parking charges. If there was a change of use of an asset, it would be valued on a different basis. The Property

and Finance team liaised on accounting procedures and on acquisitions and disposals. If it was proposed to acquire or dispose of an asset, a joint report from Property and Finance would go to Council or Cabinet. The Member wondered whether reports on individual acquisitions and income earned from them should come to the Committee. The Divisional Director Business – Support advised that these details were included in the Council’s corporate budget and in reports to Cabinet. The Divisional Director – Audit and Risk advised that these details fell within the responsibility of a Cabinet Member, and not the Committee’s.

RESOLVED

1. To note the Treasury Management Annual Report to 31st March 2014 prepared in accordance with the CIPFA Treasury Code of Practice.
2. To note the 2013/14 actual Treasury Management Indicators.
3. To note the debt rescheduling actions highlighted in paragraphs 5.8 to 5.10 of the report.

24 PROPOSED AUDIT COMMITTEE BRIEFING SESSION - VERBAL UPDATE BY THE INDEPENDENT MEMBER

The Independent Member proposed that a briefing on anti-fraud be held in mid-November or December and that Rachael Tiffin, the head of the new CIPFA Counter Fraud Centre, be invited to present to the workshop. He suggested that representatives from other local authorities in the South West should be invited to attend the workshop.

The Divisional Director – Audit and Risk said that the workshop would allow Members to consider how national best practice on anti-fraud could be used to improve procedures in the Council. He also suggested that the workshop could address the key risks facing local authorities, though he was not sure that a speaker could be found on that topic.

The Independent Member suggested that financial resilience, on which Grant Thornton had done a great deal of work, would also make a suitable for a similar event. The issue was becoming more prominent because of increased joint working between local authorities and the NHS.

RESOLVED to request officers and the Independent Member to organise a workshop for the Committee on anti-fraud and local authority risks to which representatives of other Councils in the South West will be invited.

The meeting ended at 7.15 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council

Key Elements of Statement of Accounts 2013/14

Foreword to the Accounts (pages 5-10)

The 2013/14 revenue budget included the delivery of over £11m of savings which have been achieved. The Council underspent its revenue budget by £410k in 2013/14, which after allowing for the proposed carry forwards the overall outturn position reduces to an underspend of £83k.

Movement In Reserves Statement (page 11)

- General Fund Reserves maintained at £10.4m, this is in line with our risk assessed level approved by Council.
- Decrease in Capital Receipts Reserve of £6.4m in 2013/14 as these were used to fund capital expenditure in line with our Capital Programme financing assumptions.
- Unusable Reserves increase of £26.7m, mainly due to reduced Pensions Liability in 2013/14, due to gains from changes in actuaries assumptions in valuing the liabilities. Unusable Reserves are merely for accounting adjustments and cannot be used for Council funding.

Comprehensive Income & Expenditure Account (page 12)

- Public Health now included in Cost of Services, following transfer of responsibility to the Council in 2013/14. The costs are funded by ring-fenced grant.
- Increase in Housing net expenditure from 2012/13 due to removal of Council Tax Subsidy Grant in 2013/14 following the implementation of the Local Council Tax Support Scheme.
- Other Operating Expenditure – was higher in 2012/13 due to greater number of Academies being de-recognised as Council Assets (there was only one in 2013/14).
- Re-measurement of Net Defined Liability – this is the in-year change in pension liabilities – in 2012/13 there was an increase in the liability, whereas in 2013/14 there was a decrease. These are based on the report from the actuaries.

Balance Sheet (page 13)

- Long Term Assets – there have been reclassifications across the asset types following the reconciliation between the Council's Asset Register and Property Service's valuation register.
- Short Term Investments and Cash & Cash Equivalents have significantly reduced between 2012/13 and 2013/14 due to the Council using its cash to finance the PWLB loan repayments during 2013/14. The corresponding entry is in Long Term Borrowing, where the Council's liability has also decreased following the repayment of £50m of PWLB debt.
- The Other Long Term Liabilities is mainly the future Pensions Liability, which decreased in 2013/14 as previously described.