

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Tuesday, 3rd December, 2013, 5.30 pm

**Councillors:** Andrew Furse (Chair), Gerry Curran, Dave Laming, Barry Macrae and Brian Simmons

**Independent Member:** John Barker

**Officers in attendance:** Tim Richens (Divisional Director- Business Support), Jeff Wring (Divisional Director, Risk and Assurance) and Andy Cox (Group Manager (Audit/Risk))

**Guests in attendance:** Chris Hackett (Grant Thornton)

**40 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**41 ELECTION OF VICE-CHAIR**

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

**42 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from the Chair, Cllr Will Sandry. In his absence Cllr Andy Furse chaired the meeting.

**43 DECLARATIONS OF INTEREST**

There were none.

**44 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**46 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**47 MINUTES: 23RD SEPTEMBER 2013**

These were confirmed as a true record and signed by the Chair.

**48 TREASURY MANAGEMENT SIX MONTH UPDATE REPORT**

The Divisional Director – Business Support presented the report. He said this was a regular six-monthly report, which stated the position as at the end of September. Returns on the Council's cash had been at an average of 0.49%, reflecting current low market rates. The restructuring of the Council's Public Works Loan Board debt portfolio had been implemented utilising the Council's cash flow. £50m of borrowing was rescheduled during the second quarter of 2013/14. It was anticipated that there would be a saving of £1.1m in debt costs. If funds had to be re-borrowed, this would be at very much lower rates of interest. The Council continued to invest only in higher-rated institutions and did not invest in the Eurozone.

A Member asked why the prudential borrowing limit was not reduced, if the Council's projected borrowing by the end of 2013/14 was lower than previously expected. The Divisional Director – Business Support replied that the prudential limit was set at the level that was required to finance capital expenditure. At some point the Council would need to borrow £200m; if there was a sudden change in market conditions, the Council would be able to borrow the maximum amount allowed in the budget. He agreed, however, that the operational limit did need to be revisited, because the Council now needed to borrow less.

A Member asked about the impact of Waitrose's decision not to occupy a site in the new Keynsham development, but instead to take over the existing Co-op store in Keynsham. The Divisional Director – Business Support said that he did not know what progress there had been in securing an alternative tenant; there might be some impact on the financial model for the new development, but this was not clear at the moment.

The Chair asked whether the Council had any exposure to Co-op Bank. The Divisional Director – Business Support replied in the negative. The Council's main bank was Natwest, and as far as investment was concerned, the Co-op had been below the Council's lower credit risk limit for some time.

A Member asked whether the banking market was as volatile as media reports suggested. The Divisional Director – Business Support replied that the Council's relied on its treasury advisors, Arlingclose, for credit ratings and intelligence on the banking sector. Arlingclose were ahead of the game and had warned local authorities about Co-op bank some time ago.

## **RESOLVED**

1. To note the Treasury Management Report to 30<sup>th</sup> September 2013.
2. To note the Treasury Management Indicators to 30<sup>th</sup> September 2013.

## **49 INTERNAL AUDIT SIX MONTH UPDATE REPORT**

The Divisional Director, Risk and Assurance presented the report. He drew Members' attention to the developments described in paragraphs 4.10 and 4.11 of the report, namely a joint internal audit working arrangement with North Somerset Council and a contractual arrangement with the South West Audit Partnership (SWAP) to replace audit posts which currently could not be recruited. These would result in a significantly bigger pool of resources. There was a lot of detailed work to

be done on integrating these resources, which could impact on the work plan in the short term, but there would be long-term benefits.

The Independent Member expressed concern about the speed of progress on creating an audit partnership. Discussions about a partnership had been under way for the past eighteen months, which was disruptive for this authority and potential partners. He suggested that the Committee should confirm its confidence in officers to progress the partnership more quickly. He wondered whether the external auditors had a view on the speed of progress.

Another Member, however, said that he was impressed that, at a time when the resources of Internal Audit were under pressure, so much progress had been made.

The Chair invited the external auditors to comment. Mr Morris responded that there were significant changes in audit work because of, among other things, the challenge of new audit standards. Local authorities were adopting a variety of new arrangements. He considered that before choosing a new arrangement it was essential to examine the impact on, for example, corporate governance and financial governance. Devon CC, Torbay Council and Plymouth City Council had an audit partnership and had established a joint audit committee to oversee it. The Corporate Audit Committee needed to be comfortable with any new audit arrangements, and progress should take place at a pace that ensured that the right types of audit were being undertaken. The nature of internal audit and the relationship between internal and external audit were changing. Internal audit was becoming more strategic and external audit did not rely on internal audit in the same way that it had done in the past. It was sometimes quicker and more economical for the external auditors to undertake a piece of work than to wait for it to be done by internal audit. However, internal audit remained important and needed a wide range of skills, which a partnership could provide.

The Divisional Director – Business Support thought that a great deal of progress had been made at a time of significant change. It was possible that the partnership with North Somerset would grow, but at the moment it was at a very early stage of development. It would be better to focus on developing relations with North Somerset and only try to enlarge the partnership at a later stage. The arrangement with SWAP would ensure that extra resource would be available and he hoped that performance against the work plan would improve. In the longer term the partnership with North Somerset might extend beyond audit and cover a number of back office functions. The Divisional Director, Risk and Assurance said that B&NES had been thinking about the partnership option for longer than North Somerset had, and that time had to be allowed for the development of a common ethos and culture, even though the total number of staff involved was only about twenty. He said that it would be helpful to him in discussions with North Somerset members if the Committee did reaffirm its commitment to the partnership approach. In response to a Member he said that he expected the pace of progress to pick up, and benefits to be even clearer by next April.

Members signified that they were content with current developments and wished to be kept informed of any obstacles which emerged.

The Risk Manager presented the six-month performance report. He explained that performance had been below the six-month target for the reasons set out in the report: the level of unplanned work, a reduction in staff resources and the need for

follow-up work on reviews completed in 2012/13. The Head of Audit, Risk and Information had already informed the Committee of actions taken to strengthen staff resources.

A Member suggested that some of the items on the plan, such as VAT auditing, though important, were too detailed to need reporting to Members. Members should concentrate on the strategic issues.

Mr Morris said that he was impressed by the presentation of the information in the appendices; the dashboard in Appendix 1 was particularly effective. He did not agree with the Member who had suggested that the some of the issues were too detailed to be presented to the Committee.

Replying to a Member, the Divisional Director, Risk and Assurance said that the Audit Reviews were not listed in risk order, and that there were various reasons why an audit would be scheduled for a particular time of year. He suggested that any issue highlighted in red should attract the attention of the Committee.

**RESOLVED** to note progress made against the Internal Audit plan for 2013/14.

## **50 FRAUD AND CORRUPTION REVIEW**

The Committee **RESOLVED**

that, the Committee having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, the public shall be excluded from the following item of business because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Group Manager (Audit/Risk) gave a presentation.

After the presentation, the Committee returned to open session.

Responding to a question from a Member, the Group Manager (Audit/Risk) explained that information about the whistleblowing procedure was given in the regular fraud bulletins the staff newsletter, and posters in Council buildings.

**RESOLVED** to confirm that the Council's Anti-Fraud & Corruption & Whistleblowing Polices and Anti-Money-Laundering Policies remain appropriate.

## **51 EXTERNAL AUDIT FEES AND UPDATE REPORT**

Mr Morris presented the Fees Letter. He said there would be no increase in fees for the external audit of the Council and the Avon Pension Fund in 2013/14.

Mr Hackett presented the update report. He said that the annual certification report had only just been signed off and would be presented to the February 2014 meeting of the Committee. He drew attention to two issues. The first was whether the Council needed to review its charging policy, as detailed on page 101 of the agenda, and the

second was the revaluation of property plant and equipment, as detailed on page 105.

By leave of the Chair, Mr Morris tabled the Annual Audit Letter and apologised that it had not been circulated with the agenda. He said that it needed to be published on the Council's website. An unqualified opinion was given on the Council's financial accounts and a positive conclusion on Value for Money. There were some recommendations for improvement. Section 4 dealt with the certification of grant claims and returns, where some issues had been identified, none of them significant. 95% of local authorities had issues in this area. It was proposed to charge the Council an additional fee of £2,000 for additional work on a claim relating to the Bath Transport Plan, an issue raised by an objector to the accounts.

Mr Morris announced that Mr Hackett, who had worked on the External Audit of the Council for some years, initially for the Audit Commission and latterly for Grant Thornton, would be transferring to work at Swindon Borough Council. Members thanked Mr Hackett for his work and for the help he had provided to the Committee.

Members thanked the Divisional Director – Business Support and his team for their excellent work.

**RESOLVED** to note the fees and the update from the External Auditor.

The meeting ended at 7.38 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**