

# **BATH AND NORTH EAST SOMERSET COUNCIL**

## **CORPORATE AUDIT COMMITTEE**

### **DRAFT MINUTES OF THE MEETING OF 29<sup>TH</sup> JUNE 2010**

Present:- Cllr Tim Ball, John Barker (Independent Member), Cllr Colin Barrett, Cllr Armand Edwards, Cllr Andrew Furse (Chair), Cllr Brian Simmons, Cllr Brian Webber

Also in attendance: Andrew Pate (Director of Resources and Support Services), Tim Richens (Divisional Director - Finance), Jeff Wring (Head of Risk and Assurance), Andy Cox (Risk Manager), Irene Draper (Team Leader, Control & Reconciliation), Richard Howroyd (Corporate Governance Manager), Chris Hackett (Audit Commission)

#### **1 EMERGENCY EVACUATION PROCEDURE**

The Clerk read out the procedure.

#### **2 ELECTION OF VICE-CHAIR**

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

#### **3 APOLOGIES FOR ABSENCE AND SUBSTITUTION**

Apologies were received from Cllr Bryan Organ.

#### **4 DECLARATIONS OF INTEREST**

John Barker declared a personal and prejudicial interest in relation to the part of agenda item 14 dealing with the future role of the Independent Member.

#### **5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

#### **6 ITEMS FROM THE PUBLIC – TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS**

There were none.

#### **7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

A Member requested information about the implications of the Government's spending cuts for two projects.

##### 1. Building Schools for the Future

The Director of Resources and Support Services said that the Chancellor had stated in the budget that as far as possible capital schemes would be protected, and that those benefiting the economy would be prioritised. The Government would carry out a review of capital spending in October. It was not clear at present what the impact of would be would be on Building Schools for the Future or the Bath Transport Package.

## 2. Council/PCT Integration

The Director of Resources and Support Services said that the Government intended to publish a White Paper on health. He did not anticipate that Council/PCT integration would have to be reversed; in fact the White Paper was likely to encourage further integration of delivery. It was also anticipated that it would encourage separation of delivery and commissioning. The Member noted that that the Government had indicated that the role of the PCTs would be restricted to commissioning, and suggested that the all the risks arising from delivery would therefore fall on the Council. He suggested that this was a matter on which the Council should be briefed as soon as possible.

### **8 MINUTES: 18<sup>TH</sup> MAY 2010**

These were approved as a correct record and signed by the Chair.

### **9 BATH AND NORTH EAST SOMERSET STATEMENT OF ACCOUNTS 2009/10**

The Divisional Director: Finance presented the report and invited the Committee to approve the Statement of Accounts for 2009/10. He said that the report would also be considered by the Cabinet and the Corporate Resources and Performance Overview and Scrutiny Panel at their next meetings. The auditor's opinion on the Accounts would be given by September, and would be reported to the Committee at its next meeting.

He explained that compliance with the Local Authority Accounting Code of Practice had required changes to the treatment of Council Tax and National Non-Domestic Rates. He invited comments from Members.

A Member asked about earmarked reserves and balances. The Divisional Director: Finance replied that details about these appeared in note 30 on page 41 of the Accounts. The General Fund Balance was risk assessed, though projections might change. Balances exceeded the target levels. The Council had approved a fresh allocation to reserves in February for affordable housing and changes in the Council's workforce.

The Chair asked about debtors and prepayments (page 11). The Team Leader, Control & Reconciliation said that the figures for debtors in the Accounts only gave a snapshot as at 31<sup>st</sup> March, but the figures for 09/10 were lower than 08/09. Each service made its own provision for bad debt; some provisions had increased, others had not. Provisions for bad debt were continually reviewed.

In reply to a question from a Member, the Team Leader, Control & Reconciliation said that the gain on disposal of fixed assets (page 7) was much lower in 09/10 than in 08/09 because there had been a good deal of amortisation in 08/09. In addition a number of schools had achieved foundation status and their assets had been transferred to the governors and written out of the accounts. This had not happened in 09/10, though there had been disposal of school assets. The Chair said that he understood that receipts from these disposals were retained within the schools' budget. The Director of Resources and Support Services confirmed that this was the case.

In response to further questions from Members, the Team Leader, Control & Reconciliation provided the following information:

- the difference in the 09/10 and 08/09 figures for Corporate and Democratic Core (page 7) was due largely to technical reasons relating to a reduction in grant charges in 09/10
- the differences in “cash on deposit” and “creditors” (page 11) and the increase in “other operating costs” (page 12) for 08/09 and 09/10 were explained by the fact that in 08/09 the Council had invested £20m cash on behalf of the Avon Pension Fund, which had to be paid back to the Fund in 09/10

A Member commented that most members of the public would not understand the Accounts and that the media were more likely to home in on the figures for Councillor’s allowances rather than try to give a balanced view of the Council’s financial management. Other Members agreed with this. Mr Hackett suggested that a summary set of accounts giving the key figures could be prepared for the public. The Director of Resources and Support Services said the Council was required to prepare a set of accounts in accordance with the Local Authority Accounting Code of Practice. The document that gave the best overview of the how well the Council was performing was the Outturn Report.

A Member asked for an explanation of the practice of stock lending by the Pension Fund, as mentioned on page 57 of the Accounts. The Divisional Director: Finance replied that the way worked was as follows. Often brokers sold a quantity of stock for delivery by a certain date. If they did not hold enough of that stock as the delivery date approached, they entered into an agreement to borrow stock from a third party, for which they gave security and paid a fee. The loaner of the stock did not receive dividends on it while the stock was on loan. Stock lending was practiced by all local authorities.

A Member asked about the Council’s responsibility for West of England Partnership Growth Point Funds, mentioned on page 23 of the Accounts. The Divisional Director: Finance said that B&NES acted as the banker for these funds, receiving grants and disbursing money for specific projects.

A Member noted the increase of £100,000 in the sums paid to voluntary bodies in 09/10 compared with 08/09 and asked which bodies these were. The Team Leader, Control & Reconciliation said she would circulate a list to Members.

A Member noted that the control and reconciliation of suspense accounts had been an issue that the auditors had raised in the past, and asked whether there had been any improvement. The Divisional Director: Finance replied that a great deal of effort had been devoted to improving working papers, which he believed had borne fruit. He was pleased to report that 90% of school balances had already been reconciled. The Team Leader, Control & Reconciliation said that there was a central electronic log for reconciliation.

**RESOLVED** to approve the Council’s Accounts for 2009-10, including the Avon Pension Fund Accounts 2009/10.

## **10 ANNUAL GOVERNANCE STATEMENT 2009/10**

The Head of Risk and Assurance reminded Members that this item had appeared on the two previous agendas

The Risk Manager reminded Members that they had considered the “long list” of significant risks at the previous meeting. Since the agenda papers had been issued

there had been consultation within the Council on the Statement, and a number of changes had been made. Strategic Directors had recommended a reduction in the number of significant risks to be included. He circulated copies of the revised Statement with the changes highlighted.

**RESOLVED** to confirm that the Committee has considered the Statement and “significant” issues recorded and to recommend that the Leader of the Council and Chief Executive sign the Annual Governance Statement 2009/10.

## **11 PRESENTATION ON ETHICS AND CORPORATE GOVERNANCE**

Richard Howroyd gave a PowerPoint presentation and answered Members’ questions. A copy of the presentation is attached as an appendix to these minutes.

## **12 WEST OF ENGLAND PARTNERSHIP – AUDIT COMMISSION ACTION PLAN – PROGRESS REPORT**

The Head of Risk and Assurance presented the report. He reminded Members that the details of the audit of the West of England Partnership (WoEP) had been presented to the Committee at its meeting on 2<sup>nd</sup> February 2010 and that Members had requested a progress report. He said that the attached report was also being presented to the Audit Committees of the three partner authorities. All the audit recommendations had been fully implemented.

A Member was concerned to note the number of issues rated as “high priority”, and suggested that this indicated that the WoEP was not working as intended and that the Council was being exposed to significant risk. The Head of Risk and Assurance replied that the auditors had wanted to prioritise their recommendations; they had given priority ratings, not risk ratings. They had planned to do further work relating to the WoEP, but it seemed that this would not now be going ahead. Internal Audit would be doing some work. The Chair asked Mr Hackett for his views on the future of the WoEP. He said that he knew no more about this than Members did. He confirmed that the Audit Commission would not be doing the planned additional work on the WoEP this year because of the abolition of the Comprehensive Area Assessment. However, as issues relating to the WoEP affected the auditors’ value-for-money judgment, they would no doubt be revisited. The Head of Risk and Assurance said that all the councils in the WoEP were considering the feasibility of a Local Enterprise Partnership, and it was possible that this would impact on the WoEP in future.

**RESOLVED** to note the report.

## **13 EXTERNAL AUDIT FEES LETTER – PENSION FUND – 2010/11**

Mr Hackett introduced this item. He explained that previously the Audit Commission had specified a uniform fee for all large pension funds, but now a formula was used to calculate an individual fee for each one. This formula had been used to calculate the indicative fee for 2010/11 and to recalculate the fee for 2009/10. This had resulted in a reduction of the fee for 2009/10. The indicative fee for 2010/11 was 8.5% above the scale fee because of the following issues identified in the 2009/10 audit:

- working papers supporting figures in the accounts were below minimum standard
- the 2008/09 accounts contained many material presentational errors

- there were weaknesses in relation to the control of journals

The fee would be revised if there was sufficient improvement in these areas. The auditors would be reviewing the quality of working papers in the next two weeks.

The Divisional Director: Finance said that a great deal of effort had been devoted to remedying the shortcomings identified by the auditors.

**RESOLVED** to note the report.

#### **14 ANNUAL REPORT OF THE CORPORATE AUDIT COMMITTEE**

The Head of Risk and Assurance introduced this item. He invited Members to comment on the role and effectiveness of the Committee.

A Member said that though the Committee deal with complex issues, Members were lay people. He believed that the Committee had become more effective as Members' knowledge had increased, and that it now commanded respect within the Council. The presentations and briefings given at meetings had been very helpful. Other Members agreed that the Committee had become better at questioning officers.

The Chairman invited Members to send any comments on the draft annual report to himself or to the Head of Risk and Assurance.

John Barker left the room in accordance with his declaration of interest. Members discussed the role of the Independent Member, agreeing that it made a valuable contribution to the work of the Committee and should continue. They requested officers to give consideration to increasing the support and advice available to them between meetings.

#### **RESOLVED**

1. To delegate to the Chair and the Head of Risk and Assurance the preparation of an annual report for submission to the Council in September.
2. To delegate responsibility to the Chair and the Head of Risk and Assurance to decide on future arrangements for the Independent Member in 2010/11.

The meeting finished at 7.05 pm.

Chairman.....

Date signed and confirmed.....