BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Monday, 23rd September, 2013, 5.30 pm

Councillors: Will Sandry (Chair), Andrew Furse, Gerry Curran, Dave Laming, Barry Macrae and Brian Simmons
Independent Member: John Barker
Officers in attendance: Andrew Pate (Strategic Director, Resources), Tim Richens (Divisional Director- Business Support) and Jeff Wring (Divisional Director, Risk and Assurance)
Guests in attendance: Barrie Morris (Grant Thornton), Chris Hackett (Grant Thornton) and Councillor David Bellotti (Bath & North East Somerset Council)

28 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

29 ELECTION OF VICE-CHAIR

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

30 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

31 DECLARATIONS OF INTEREST

There were none.

32 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

34 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

35 MINUTES: 25 JUNE 2013

These were approved as a correct record, subject to the insertion, in the twelfth paragraph of Item 23 (Internal Audit: Future Delivery Options) after “He suggested that arrangements needed to”, of the following:

"to be put in place to prepare an inventory of existing skills and needs of current B&NES staff and of each potential partner so far identified - so as to identify any critical skill shortfalls that a preferred partnership may not be able to deliver."

36 ANNUAL STATEMENT OF ACCOUNTS 2012/2013

The Divisional Director – Business Support presented the report. He expressed his thanks to the Finance team for their work in preparing the appended documents. He drew attention to the statement in the foreword to the accounts (agenda page 86) that the required £12m savings in 2012/13 had been achieved together with a £168k underspend. This had been achieved with no impact on Council Tax or the Council's revenue. A further £11m had to be saved in 2013/14, and the Council had a resource plan in place that would take total savings to just under £30m over the three years up to 2014/15. The auditors had identified a number of issues in relation to the Council's Accounts (listed in paragraphs 4.1-4.3 of the covering report), including an issue relating to reconciliations between the Council's property and accounts registers. The Chair commented that this was a recurrent issue and wondered whether the resources were available to fix it. The Divisional Director – Business Support said that the issue was that the existing software packages could not communicate with each other effectively, so that reconciliation between these registers had on occasion to be done manually, and misstatements could possibly occur if data was not entered in the correct order. He was therefore reviewing the situation with a view to potentially replacing the existing system as part of an improvement plan. He concluded by saying that a number of minor issues had been identified in relation to the accounts of the Avon Pension Fund (listed in paragraph 4.7); a management response and action plan relating to these was circulated to members. The auditors were proposing to issue an unqualified opinion on both sets of accounts. He invited the Committee to agree to the signing of the Letter of Representation.

Mr Morris commented on the audit findings. He referred to the list of outstanding issues listed on page 27 and said that work on capital accounting and housing benefit had now been completed. The adjusted misstatements tabulated on pages 35 and 36 had had no effect on the bottom line. Unadjusted misstatements needed to be referred to in the Letter of Representation. One of these was a balancing figure in the reserves statement of £835,000 for which the necessary correcting amendment had not been identified. It was his duty to bring this to the Committee's attention, but it was for the Committee to decide what action should be taken about it. The Divisional Director – Business Support said that after further work that figure had been reduced; more work would be done to discover greater detail about it but that it was not recommended to make an adjustment.

A Member asked about the figure of £1.686m for debtors (agenda page 36) and whether the underspend of £168,000 would recur in future years. Mr Morris said that debtor comprised charges place on a number of individual properties, which should be placed in the long term debtors balance and not in short term debtors as at present. Replying to the question about the underspend, the Divisional Director – Business Support said that every year the Council followed a zero-base budget process; if the underspend represented a long-term saving, it could possibly count towards next year's savings target.

A Member said that he accepted that the errors in the accounts were not significant, though there was a risk that the press might focus on them. He was happy that that the problems identified were being addressed. He was pleased that there had been such good co-operation between the finance team and the auditors.

Mr Hackett commented on the Avon Pension Fund audit. He said that a separate Letter of Representation would have to be signed in respect of the Fund's accounts. He drew attention to the two unadjusted disclosure items listed on page 68 of the agenda. The second issue concerned the requirement under IFRS7 for every holding of over 5% of each asset class to be listed separately, which officers considered would produce a long list of relatively small investments.

A Member asked about the sum of £4.374m for Additional Voluntary Contributions. Mr Hackett that this sum was not actually invested in the Avon Pension Fund, but in other investment funds and that the note in the accounts did not make this clear.

A Member asked why it was not possible to estimate the value of the refunds of contributions due to the pension fund members referred to in misstatement 2 on page 67 of the agenda. Mr Hackett explained that these were people who had joined the Fund and then left and for whom no contact details were held. It was explained that the liability could not be calculated until the ex-members were contacted. The auditors did not believe that this uncalculated liability was significant or serious

Members congratulated the Finance team for producing an excellent set of accounts.

The Chair invited Members to email him any comments on the Action plans for both the Council and Pension Fund.

Following the discussion, it was **RESOLVED:**

1. To note the issues contained within the Annual Governance Reports for the Council and Avon Pension Fund.

2. To approve the audited Statement of Accounts for Bath and North East Somerset Council for 2012/13.

3. To agree that the Letter of Representation from Bath and North East Somerset Council should be signed.

37 FINANCIAL RESILIENCE REPORT

Mr Morris presented the report. He said that this report provided more detail on the value-for-money opinion. A red/amber/green system was used for scoring. A group of local authorities (listed on agenda page 208) had been used to provide benchmarking data. The auditors considered that Bath and North East Somerset had performed strongly, and most aspects of the Council's performance had been assessed as green with a small number of areas flagged up for further consideration.

A Member asked two questions. One concerned the collection of Non-Domestic Rates, where the Council had collected 97.49% of the debit against a target of 97.8% and a national average of 97.7%. He wondered whether the Council should be able to achieve the target, or whether perhaps the target should be reduced. The other was whether Internal Audit, which was now 2.5 FTE posts below establishment, had the resources to give the Council a satisfactory level of assurance. Another Member responded that he did not agree that the target for NNDR collection should be reduced; he thought targets should stretch an organisation, and that a performance that was only just short of the target was still very good. As far as Internal Audit was concerned, the Council had an able and committed team, and a project was under way to review delivery of the Internal Audit function in the future.

A Member asked about the slippage in the capital programme (agenda page 210) and wondered what had caused this and whether the slippage had contributed to the £168,000 underspend.

David Bellotti, Cabinet Member for Resources, said that the main reason for the slippage in the capital programme was the re-prioritisation of projects that had taken place following the change of administration after the elections in 2011.

The Divisional Director – Business Support thanked the external auditors for their work. This was the best report the Council had yet received from its auditors, though there were still a few areas that need improvement.

A Member asked whether Keynsham regeneration would impact on Non-Domestic Rates and funding available from the Local Enterprise Partnership and the City Deal. The Divisional Director – Business Support explained that these were separate issues. A local authority was responsible for collecting all business rates in its area, retained an agred amount and passed the rest to central government. The government made funding available to LEPs and through the City Deal, which local authorities could apply for.

The Chair expressed his satisfaction on behalf of the committee at a very reassuring report.

RESOLVED to note the report and its findings and to keep under review any management actions.

38 GRANT CERTIFICATION AUDIT PLAN

Mr Hackett presented the report. He said that after the completion of the work a short report would be brought to a future meeting of the Committee.

RESOLVED to note the report.

39 TREASURY MANAGEMENT OUTTURN 2012/2013

The Divisional Director – Business Support presented the report and summarised the key facts. Gross Interest earned from investments was £821k. Investment rates had continued to fall and the average rate of interest earned on investments in 2012/13 was 0.83%. The Council had continued to avoid investment in the Eurozone. He drew attention to the Council's £15.4m share of debt inherited from the former Avon County Council, which was administered by Bristol City Council. The Council's debt would be restructured to take advantage of low interest rates, as agreed at the last meeting of the Committee.

RESOLVED:

1. To note the Treasury Management Annual Report to 31st March 2013.

2. To note the 2012/13 actual Treasury Management Indicators.

3. To note the debt rescheduling actions highlighted at paragraph 4.13-4.15 of the covering report.

The meeting ended at 6.58 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services