

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 25TH JUNE 2010 AT 9.30 A.M.**

P Councillor Blythe
P Councillor Brain
P Councillor Emmett
P Councillor Gollop
P Councillor Hassell

P Ken Guy) Independent
P Brenda McLennan) Members

**AC
21.6/10 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

No Councillor apologies for absence were received.

**AC
22.6/10 PUBLIC FORUM**

None

**AC
23.6/10 DECLARATIONS OF INTEREST**

None

**AC
24.6/10 WHIPPING**
None

**AC
25.6/10 CHAIR'S BUSINESS**

The Committee agreed it would be of benefit for the Executive Member for Efficiency and Value for Money to attend Audit Committee meetings that consider the Annual Governance Statement. The Chief Internal Auditor confirmed that the Council Leader had previously been supplied with a copy of the draft Annual Governance Statement.

The Chair summarised that although there was no legal obligation, it would be preferable for the Executive Member for Efficiency and Value for Money to attend future Audit Committee meetings that considered the Governance Statement. It was agreed that the Executive Member would be invited to attend the Audit Committee meeting in September.

AC

26.6/10

DRAFT ANNUAL GOVERNANCE STATEMENT

The Committee considered a report of the Service Director (Finance) (agenda item no. 7) submitting the Annual Governance Statement for approval.

The Chief Internal Auditor presented the report and summarised the Council's requirement to prepare an Annual Governance Statement. A review of the internal control, risk management and governance arrangements had taken place and the draft Statement was presented for consideration and approval.

The Committee considered the report and the following comments were made;

- a) 3.4. The Chair commented that the inclusion of the Leader's Forward Plan of key decisions on the Councils website was positive and reflected transparency.
- b) 3.6. It was suggested that reference to the Neighbourhood Partnership meetings would be an additional way to demonstrate engagement with local people.
- c) 4.2. Reference was made to the Grant Thornton Report, which assessed the Effectiveness of the Audit Committee.
- d) 3.1. The Committee discussed the Medium Term Financial Plan (MTFP) and the current financial situation, nationally and within the Council. The following points were made;
 - i. Councillor Gollop highlighted that the Annual Governance Statement acknowledged the likely future financial constraints on the Local Authority, but offered no options for solutions. It was unclear how the Executive would be addressing these concerns. A clear indication on how the Executive and Resources Scrutiny Commission plan to address to concerns would be required.

- ii. At a recent Human Resources Committee the statistics supplied suggested no reduction in staff numbers in 12 months.
- iii. The Service Director (Finance) assured that strategic options and plans were in place that considered the ongoing financial concerns. Reference was made to the reduction in agency and temporary staff, with a 50% reduction in agency staff in 12 months – a significant amount. It was important to consider the situation strategically and to avoid expensive redundancies. Although the staff numbers appear unchanged, the statistics related to permanent staff.
- iv. The Chief Internal Auditor clarified that the purpose of the Annual Governance Statement was to identify governance and control issues, and distinguish them from risks, especially those that have yet to be addressed. The financial situation had been included on the Corporate Risk Register and the increased importance would be reflected through the actions of SLT and other parts of the Council.
- v. The Chair highlighted the importance of the political neutrality of the Audit Committee and suggested financial concerns should be considered at the Resources Scrutiny Commission.
- vi. The Service Director (Finance) reiterated that the AGS looked back over the previous year and a holistic approach would be required to address the future financial concerns. It was agreed that the Resources Scrutiny Commission would be the right forum to collate all the relevant information.
- vii. Independent Member Ken Guy enquired as to the rationale behind some future concerns being addressed in the AGS, but not the financial management. The Chief Internal Audit highlighted that *Value for Money and Performance Management* had been identified as governance and control weaknesses in the previous year and therefore had continued to be included in the Annual Governance Statement.
- viii. As a Chair of the Resource Scrutiny Commission, Councillor Emmet assured the Audit Committee members that the Commission's work programme would reflect the need for additional attention on the Council's future financial restrictions and made reference to the need for capacity to ensure this would be dealt with fully.
- ix. The Committee agreed to add Financial Concerns to the work programme for November's Audit Committee meeting. A Government spending review report would be issued in October and this would allow time for the Strategic Director of Resources to assess this.

- e) 5.3. It was agreed that the number of Partnership bodies could be reduced and therefore a checklist would not currently be required.

RESOLVED - that the Annual Governance Statement be approved as a fair reflection of the internal control and governance environment during 2009/10 and to date, prior to it being signed by the Leader of the Council, the Chief Executive and the s151 Officer.

**AC
27.6/10**

STATEMENT OF ACCOUNTS

The committee considered a report of the Service Director (Finance) (agenda item no. 8) concerning the Statement of Accounts for the Year Ended 31st March 2010.

An updated version of the Statement of Accounts was circulated to the Committee. The Service Director (Finance) referred to the preparation of the Statutory Statement of Accounts, which had been undertaken in accordance with the Code of Practice on Local Authority Accounting (CIPFA). Following approval from the Committee, the statement would be subject to audit, with the auditors report to be submitted to the Audit Committee by the 30th September 2010.

The Service Director (Finance) summarised the salient points of the report and Members were invited to comment.

- a) The Committee considered the table showing the *Revenue Outturn compared to budget and forecast*. The following points were highlighted;
- i. Independent Member Ken Guy questioned the status of the Approved Budget figures, especially in relation to Health and Social Care (HSC).
 - ii. The Service Director (Finance) confirmed that there was an increase in the budget allocated for Health and Social Care of £2.7 million, approved by the Cabinet during the year. It was confirmed that the extra money had been taken from an under spend and contingencies, this was not reallocated from other services.

- iii. Members expressed concern that the budget had been altered from what Full Council had agreed at the beginning of the financial year. It was suggested that changes to the budget could be shown, so as to ensure clarity and transparency.
 - iv. The Service Director (Finance) explained that legitimate changes in budgets through the year were inevitable and an explanation of the increase in the HSC budget was included in the text accompanying the table.
 - v. Members agreed that it would be preferable for the summary to reflect the budget as set out by Full Council at the beginning of the financial year. Any budget changes could be shown together with explanations.
 - vi) It was agreed that the related text should be strengthened to explain the changes made to the original budget, with a cross reference, in particular, to the HSC increase
- b) Reference was made to the *Balance Sheet items – total position*. The Balance Sheet Items were also reflected numerically in a table.
- i. Similar large increases in pension deficits would be reflected in other Local Authorities accounts and these figures were based on the current scheme.
 - ii. The Service Director (Finance) summarised the two main pension schemes currently in use and advised that changes to the Local Government scheme were likely in the future, although commitments related to past service would not change.
- c) Councillor Gollop thanked the Officers for the detailed replies regarding questions submitted prior to the meeting and made the following comments;
- i. Note 4 to the Core Financial Statements – Dedicated School Grant – there was still some uncertainty despite the clarification provided.
 - ii. Note 6 – Road Traffic Regulation Act 1984 – Section 55. The contract for the Towaway Scheme appeared to be cost neutral. It was suggested that a profit-making venture could be explored.
 - iii. Note 10 – Employee Remuneration. Concern was raised regarding the number of non school employees earning £50,000 or more which had increased compared to 2008/09. Although it was appreciated that there was a cost to employing good quality officers, this should be balanced against the ongoing current financial constraints. The Service Manager, Corporate Finance highlighted that the

remuneration shown included severance and other costs, and was the total received in the year, not merely the actual salary figure. The Committee agreed that correct staffing figures would be imperative to managing expenditure correctly. Reference was made to the Transformation Programme, which aimed to encourage fewer, but more efficient employee working. It was agreed that the Chair would liaise with the Service Director (Finance) to discuss the viability of compiling a summary of all non-school employees. This would include information on salary, national insurance, pension contributions and staffing numbers. If other local authorities were encouraged to complete a similar exercise a comparison could be made, The Performance and Improvement Manager should be updated on this. It was noted that the majority of staff were at a medium pay level and not at the high level that caused concern.

- d) The Chair made the following comments;
- i. The presented accounts were of a far superior quality to those of previous years and continued to improve. Reference was made to appendix (8) 2 which looked at the Ratio Analysis. The Chair praised Bristol's performance in comparison to other areas.
 - ii. The Chairman referred to the variations in Capital expenditure from the forecast detailed on page 7:
 - A net under spend overall of £7.4m included a £7.6m under spend in City Development, and a £1.7 million overspend in Transformation. The Service Director (Finance) confirmed that the Transformation costs had varied due to the investment required for the larger projects, i.e. staff relocation to Somerfield House. Although a large investment was required, the long term savings would be significant.
 - Referring to the £6.8m under spend in HSC, the Service Director (Finance) highlighted that there were a number of reasons for the delay, i.e. refurbishment of homes was dependent on the relocation of residents. Further information would be gathered and a breakdown supplied to the Resources Scrutiny Commission for consideration.
 - iii. Referring to a query related to the £8m investment in Icelandic banks at the time of their collapse, the Service Director (Finance) confirmed that the Council would follow CIPFA recommendations in relation to the recognition of the impairment. Statutory regulations have allowed the deferral

- of any impact on the Councils general fund position until 2010/11.
- iv. In note 35 to the Core Financial Statements – Financial Instrument Balances, the Service Director (Finance) undertook to clarify that the headings shown in the table on page 75 (Accounting Treatment, Icelandic banks impairment) shown as 2008/09 should be 2009/10.
 - v. The Service Manager, Corporate Finance clarified that the differences between the cost of services figures and the revenue outturn position shown in the Foreword, reflected the requirements of the Accounting SORP. The Income and Expenditure Account included a number of items, mainly related to accounting for capital assets, that were not required to be included in the general fund and not taken into account in setting the council tax.
- e) Independent Member, Brenda McLennan made the following comments:
- i. It was suggested that within the pension section of the Foreword, that the increase in the employer contribution rate payable by the Council should read 1.8% and not 2.8%. The Service Manager, Corporate Finance undertook to check this.
 - ii. Note 26 to the Core Financial Statements – Reserves. A correction to the spelling of government was highlighted. In the same note, the narrative to the table of reserves, the reference to the shareholding in the Port Company should state “*See note 27*”.
 - iv. Note 43 to the Core Financial Statements - Pensions: the mortality assumptions contained within section d) were highlighted to be formatted incorrectly.
 - v. Note 7 to the Core Financial Statements – Pooled Budgets. An explanation was requested related to why there was no funding from NHS Bristol towards the Learning Difficulties Development Fund.
- f) The following comments were also made:
- i. Note 12 to the Core Financial Statements – Related Party Transactions. Councillor Gollop indicated that he would like to see, in future, the amounts owed to or from each party as well as the receipts and payments during the year.
 - ii. Note 22 to the Core Financial Statements – Assets held under finance leases. The Chief Internal Auditor agreed to provide further information related to the change from acquiring vehicles by finance lease to purchasing outright and when this decision had been made.

- iv. Note 36 to the Core Financial Statements, – Financial Instruments Adjustment Account. The Chief Internal Auditor agreed to provide further information to Councillor Gollop and Councillor Hassell in relation to any potential risk over non-payment of S106 money and contingent liabilities.
- v. Note 26 (iii) to the Core Financial Statements - Reserves. It was noted that some revenue reserves had not been spent, i.e. the Education Standards Fund. The Service Director (Finance) highlighted that occasionally grants would not be received at the beginning of the financial year. Further information would be sought and brought back to the Committee. The Supporting People Grant would be held in reserve while a number of contracts were downsized due to recent changes in how the money had been allocated.

The Committee praised the work of the Service Director (Finance) and the Service Manager, Corporate Finance and remarked that the level of queries related to the Statement of Accounts had been relatively low in comparison with previous years. The Service Director (Finance) invited Member comments on the training that had been provided so improvements could continue.

RESOLVED - that the Statement of Accounts for the year ending 31st March 2010 be approved.

INFORMATION REPORTS

AC

28.6/10

RESOURCES AND SCRUTINY COMMISSION WORK PROGRAMME FOR 2010/11

The committee considered a report of the Service Director, Strategy and Performance (agenda item no. 9) receiving the Resources and Scrutiny Commission Work Programme for 2010/11.

RESOLVED - that the report be noted.

AC

29.6/10

DATE OF NEXT MEETING

RESOLVED - that the next meeting of the Audit Committee be held on Friday 24th September 2010 at 9.30 a.m.

(The meeting ended at Midday)

CHAIR