

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 27TH SEPTEMBER 2010 AT 5.30 P.M.**

P Councillor Brain
P Councillor Blythe
A Councillor Emmett
P Councillor Gollop
P Councillor Hassell
P Councillor Leaman substituting for Councillor
Emmett

Independent members:-

P Ken Guy
P Brenda McLennan

**AC
30.9/10**

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

Councillor Leaman attended as a substitute for Councillor Emmett.

Apologies for absence were received from John Golding from Grant Thornton.

Introductions were made and the Chair welcomed the Members to the meeting.

**AC
31.9/10**

ACTION SHEET

RESOLVED - that the action sheet be noted.

**AC
32.9/10**

PUBLIC FORUM

None

AC
33.9/10 **DECLARATIONS OF INTEREST**

None

AC
34.9/10 **MINUTES - AUDIT COMMITTEE - 18TH JUNE 2010**

The Committee noted some inaccuracies and typographical errors in the previous Minutes and requested that these be reviewed more thoroughly in the future.

RESOLVED - **that the minutes of the meeting of the Audit Committee held on 18th June 2010 be confirmed as a correct record and signed by the Chair.**

AC
35.9/10 **MINUTES - AUDIT COMMITTEE - 25TH JUNE 2010**

RESOLVED - **that the minutes of the meeting of the Audit Committee held on 25th June 2010 be confirmed as a correct record and signed by the Chair.**

AC
36.9/10 **WHIPPING**

None

AC
37.9/10 **CHAIR'S BUSINESS**

The agenda order would be altered to allow a review of the Grant Thornton Governance report on the Audit of Accounts, prior to discussing the Statement of Accounts.

AC
38.9/10 **WORK PROGRAMME**

The Chief Internal Auditor referred to the change of meeting date and time. Agenda items due to be presented at this meeting had been moved to the next meeting due to the large agenda.

RESOLVED - that the work programme be noted.

AC

39.9/10

WEST OF ENGLAND PARTNERSHIP

The Committee considered a report of the Chief Executive, West of England Partnership (agenda item no. 9) updating on actions taken in response to the Action Plan - previously agreed between the four authorities and the Audit Commission. Members were also provided with the latest version of the Partnership Risk Register. The report summarised that the majority of actions included in the Action schedule had been completed.

The Committee were asked to consider the Relationships Risk Category in the Partnership Risk Register, which highlighted concerns over relationships and the need to ensure relationships with partners are not dependent on one key individual. Clear direction and leadership from Chief Executives would be required to ensure that existing projects, priorities and joint delivery were regularly reviewed. The draft risk register would be presented to the Chief Executives of the four authorities at the end of the week and would include consideration of the issues surrounding these relationships.

The Committee were invited to ask questions and the following comments were made;

- i. Members raised concerns in relation to the Local Enterprise Partnership (LEP), and the role of the West of England Partnership in it. The Chief Executive confirmed that the Partnership had played a major role in the submission to Government and that the submission had been completed in seven weeks. A variety of dates had been proposed for notification of the Government's decision and a White Paper was now expected for the end of the October.
- ii. An indication on the success or failure of the submission could be provided in the next few weeks, with an amber/green rating predicted due to the good economic prospects in the area. The Government could be concerned with the other LEP submissions in the surrounding areas, and could take a more strategic view and suggest a larger, more inclusive organisation. This would be unfavourable as it could the potentially dilute some of the areas within the WEP due to the wider focus.

iii. It would also be possible that the Government could require more details and specifications on the Governance arrangements. The submission made had not been explicit but had included proposals that included wider communities as well as businesses.

iv. Reference was made to Recommendation 2 in the Action Plan that related to the relationships between the partners and the need to ensure that all groups were clear about their respective roles and responsibilities. The approval of the Terms of Reference had not been as timely as would have been preferred due to the workload of the Joint Scrutiny Committee.

v. As a Member of the Partnership Board, Councillor Gollop expressed concern related to a loss of partnership working, and that the LEP would overtake current projects.

vi. The WEP Chief Executive confirmed that the risk register would be shared with Chief Executives, Leaders, the Resources Directors and other Officers to ensure that all relevant staff in each Partnership organisation had been made aware of the risks. The Chief Internal Auditor confirmed that the Bristol City Council Strategic Leadership Team were aware of the risks associated with WEP.

vii. It was confirmed that the LEP submission included the experiences of partnership working and would be looked at impartially, with other models considered.

vii. Councillors Hassell expressed concern related to the lack of an Integrated Transport Organisation.

RESOLVED - that the report be noted.

**AC
40.9/10**

GRANT THORNTON GOVERNANCE REPORT ON THE AUDIT OF ACCOUNTS 2009/10 AND INSPECTION PLAN PROGRESS REPORT

The Committee considered a report of the Service Director: Finance (agenda item no. 11) which introduced the Grant Thornton Annual Report to those Charged with Governance, and highlighted the key issues arising from the Audit of the Council's financial statement for the year ending 31st March 2010.

The external auditors presented the Report and summarised the Purpose of the Report and Audit Conclusions. The report provided an opinion on the Financial Statements and the Value for Money conclusion. Reference was made to the Keys Risks and the National and other Financial Reporting Matters.

The Committee were invited to ask questions and the following comments were made;

i. 2.22. Unadjusted misstatements

Concerns were expressed related to the £510,000 identified, which had not been resolved by management on the basis of materiality. The adjustment related to the Statement of Total and Recognised Gains and Losses (STRGL), which reconciled the movements on the balance sheet from one period to the next. Gains and losses in the year need to be accounted for through the gains and losses arising from the re-evaluations. Where additional balances are reported here, this normally indicated underlying problems elsewhere in the accounts. The problem potentially related to Standard Fund Grants allocation. It would be a costly and time consuming to assess this in great detail. Grant Thornton highlighted that an imbalance was a very usual occurrence and the amount was small in comparisons with other Local Authorities. The 2008/09 accounts had highlighted a number of these unadjusted misstatements and vast improvements had been made in this financial year. Grant Thornton and the Service Director: Finance provided assurance that the sums were not material. The Committee unanimously agreed that they were satisfied with the appropriateness of the approach taken by management not to adjust for this item.

ii. 2.8. Depreciation on council dwellings

Councillor Gollop referred to the methodology employed when assessing dwellings, with the calculation based on the average asset balance for the year. The Service Director: Finance referred to the Capital Programme coverage of a significant number of properties, and the numerous contractors used. The concern related to the incorrect coding of invoices.

iii. 2.16. Port Investment

The Grant Thornton Representative confirmed that a qualified person must complete an up to date valuation but this did not have to be an independent organisation. £8.5million of this investment was due to be redeemed in March 2011 and a new valuation was recommended before the preparation of the 2010-11 accounts. It

was noted that once this £8.5million had been received the 6% profit share received each year would cease, resulting a in a loss of revenue. It was not advisable to sell any other shares now, as the current market value was low. Additionally, shares could only be sold to the Port Company.

iv. Key Audit Risk – International Financial Reporting Standards
In reference to a risk that the Council had not adequately prepared for the transition to International Financial Reporting Standards (IFRS), the external auditor confirmed that most Councils would be delayed and an Audit Commission survey had shown that it would only be small district councils that were really prepared. CIPFA had not mandated the timetable. BCC had progressed well and no major concern was highlighted.

The Committee requested the adjusted 2009 restated balance sheet be presented to the Committee when available. The Service Director of Finance also suggested a Members training course could be beneficial.

- RESOLVED -**
- (1) that the report be noted;**
 - (2) that the Audit Committee are satisfied of the appropriateness of the approach taken by management not to adjust the unadjusted misstatement as detailed;**
 - (3) that the Audit Committee approve the Grant Thornton Letter of Representation for the Year Ended 31 March 2010 to be signed by the Chair and Officers;**
 - (4) that the 2009 restated balance sheet be presented to the Audit Committee when available;**
 - (5) that Member training be organised on IFRS.**

AC

41.9/10

STATEMENT OF ACCOUNTS YEAR ENDED 31ST MARCH 2010

The Committee considered a report of the Service Director: Finance (agenda item no. 10) approving the revised Statement of Accounts for the Year Ended 31st March 2010, following completion of the audit.

RESOLVED - that the revised Statement of Accounts for the Year Ended 31st March 2010, following completion of the audit, be approved.

AC

42.9/10

GRANT THORNTON 2009/10 VALUE FOR MONEY CONCLUSION REPORT

The Committee considered a report of the Strategic Director (Resources) (agenda item no. 12) noting and commenting on Grant Thornton's VFM conclusion report.

The following comments were made;

i. The recently introduced score cards would be presented to the Cabinet on 30th September 2010. The score cards would be public records, used to identify areas of underachievement. The score cards could be scrutinised by the Resources Scrutiny Commission, prior to possibly being presented to the Audit Committee.

ii. A Value for Money opinion was still required, despite the abolition of the Comprehensive Area Assessment. The current Government guidance was unclear, but less work should be required.

iii. It was agreed that it would be individual Managers' responsibility to ensure that VFM was achieved. The cost of a service should be assessed against the level of service provided and would not automatically be equated to the cheapest financial option.

iv. The Committee discussed issues related to the procurement procedure and agreed it would be imperative to ensure that what would be purchased reflected what was required and that the specification would be accurate. The focus should be on the outcomes and different techniques should be employed to reflect the variety of service needs.

The Committee agreed that the Resources Scrutiny Commission should receive a procurement report that identified gaps in the current procurement strategy and allowing the Commission to allocate policy development work if required.

- RESOLVED -**
- (1) that the report be noted;**
 - (2) that the Resources Scrutiny Commission should receive a procurement report that identified gaps in the current procurement strategy and allowing the Commission to allocate policy development work if required.**

**AC
43.9/10**

GRANT THORNTON BUSINESS TRANSFORMATION REPORT

The Committee considered a report of the Strategic Director (Transformation) (agenda item no. 13) noting and commenting, as appropriate, on Grant Thornton's report and the recommendations within.

Councillors Brain and Gollop confirmed their membership of the Transformation Board.

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

Recommendation 1

- The Strategic Director (Transformation) confirmed that the Cabinet would view the impact of the changes collectively once the financial environment became more clear. This would also allow an opportunity to re-evaluate delivery options.
- The Grant Thornton Representative highlighted that one Executive Member alone should not be responsible for the

assessment of the changes made and a more structured assessment would be required.

- The Strategic Director (Transformation) agreed that assessment of success would be difficult without a previous measure of performance. Reference was made to the future use of the score cards, which would allow benchmarking against both financial and wider measures. This would allow a SMART, rather than an aspirational assessment.

Recommendations 2, 3 and 4

- In response to concerns, the Strategic Director (Transformation) referred to the 2008 Cabinet Report which had made certain assumptions based on high level specifications. The reduction in costs and the benefits of the changes have generally taken longer and cost more than predicted when the detailed business cases were created. Benefit tracking identified the financial benefits and the better the reporting, the easier it would be to track the finances. The tracer programme would allow this to be more timely.

Recommendations 5 and 6

- The Grant Thornton Representative highlighted that some measures are not available, i.e. staff morale. It was noted that the report provided reviewed to June 2010 and therefore did not consider the use of the score cards.

Recommendation 9

- The Grant Thornton Representative referred to the concern related to the lack of base information, making it difficult to identify non-financial savings. The quality of the information could also be a concern.
- It was noted that the process would not be economically efficient, a large amount of work would be required to establish facts and the results would not always be reliable.
- The Managing Change Policies and the lack of business expertise had affected the speed of change.

Recommendation 11

- The Committee discussed the options available that related to Gateway reviews, which would be completed systematically and provided extra assurance. It was agreed that a summary of the Waste Contract Gateway Review would be presented to the Audit Committee.

- RESOLVED -**
- (1) That Strategic Directors and Members should jointly re-evaluate the programme to ensure it continues to remain focused on delivering the Council's priorities and that the benefits and costs meet the needs of the City and the Council;**
 - (2) The Council should monitor the effect on services (business as usual) of transformational change, to ensure the impact is understood and minimised;**
 - (3) The programmes should be supported by up to date business cases which include SMART non-cashable objectives;**
 - (4) A robust business case for NWOW programme should be developed which includes clear and measurable non-financial outcomes;**
 - (5) The Council should ensure all programmes are delivering non-financial and financial outcomes;**
 - (6) That the summary of the Waste Contract Gateway Review would be presented to the Audit Committee.**

INFORMATION REPORTS

AC

44.9/10

CORPORATE DIRECTORATES RISK REGISTER

The Committee considered a report of Rob Logan, Transformation and Christine Castle, DCX and Resources (agenda item no. 14) briefing on the development and content of the Risk Register for the Directorates of Resources, Transformation and Deputy Chief Executive.

RESOLVED - that the contents of the register be noted.

AC

45.9/10

HEALTH AND SOCIAL CARE RISK REGISTER

The Committee considered a report of Denise Hunt, Business Partner Finance (agenda item no. 15) briefing on the development and content of the Risk Register for Health and Social Care.

RESOLVED - that the report be noted.

AC

46.9/10

DATE OF NEXT MEETING

RESOLVED - that the next meeting of the Audit Committee be held on 12th November 2010 at 9.30 a.m.

(The meeting ended at 8.15pm)

CHAIR