

BRISTOL CITY COUNCIL

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 30TH SEPTEMBER 2011 AT 2.00 P.M.**

- P Councillor Weston (in the Chair)
- P Councillor Emmett
- P Councillor Hassell
- P Councillor Kiely
- P Councillor Brain
- P Councillor Clark
- P Ken Guy – Independent Member
- A Brenda McLennan – Independent Member

AC

36.9/11

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

Apologies for absence were received from Independent Member,
Brenda McLennan.

AC

37.9/11

PUBLIC FORUM

None

AC

38.9/11

DECLARATIONS OF INTEREST

None

AC

39.9/11

MINUTES – AUDIT COMMITTEE – 8TH JULY 2011

RESOLVED - that the minutes of the meeting of the
Audit Committee held on 8th July 2011
be confirmed as a correct record and
signed by the Chair.

**AC
40.9/11 WHIPPING**

None

**AC
41.9/11 CHAIR'S BUSINESS**

i. The Chair thanked the Finance and External Audit Officers for the training provided, the Members had found this very useful.

ii. The Chief Internal Auditor confirmed that the new Chair of Core Cities Audit Chairs' as Cllr Driver from Leeds. The former Chair, Cllr Radcliffe had stood down. The next meeting would be held on the 7th November and Bristol City Council (BCC) would be the host and responsible for creating the agenda. CLG had been confirmed as a guest speaker.

**AC
42.9/11 ACTION SHEET**

The Chief Internal Auditor confirmed that the Party Leads had been kept updated on the progress of the Bishop Road school report. Some aspects of the investigation had been time consuming and further information had been sought from various parties, receipt of which had been delayed by the school holidays. A report to the Audit Committee would be forthcoming once all the necessary information had been collected. An extra Audit Committee meeting would be arranged in the evening to discuss the report, with a date to be confirmed.

RESOLVED - that the updated action sheet be noted.

**AC
43.9/11 WORKPROGRAMME**

RESOLVED - that the work programme for 2011/12 be agreed.

**AC
44.9/11 CORPORATE PERFORMANCE TEAM – UPDATE ON
PROGRESS OF VALUE FOR MONEY STRATEGY**

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 9) noting the progress being made in the implementation of the Council's new Value for Money (VFM) Strategy.

The Service Director, Finance introduced the significant issues, reiterating that all Managers should be focused on achieving VFM. Reference was made to the secondment of Denise Hunt, Health and Social Care (H&SC) Finance Business Partner who had led the Performance and Improvement (P&I) Team, to lead the H&SC Transformation Programme. Internal Audit would temporarily take over the Team.

John Golding, the Grant Thornton (GT) Representative welcomed the report stating it would form a sound base for BCC to work from. VFM ethos should be embedded at BCC and the next stage would be to ensure that the report recommendations had been implemented.

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

- i. Cllr Kiely highlighted concerns over the implementation of the strategy, referring to Service Departments previously identified as lacking VFM and the lack of subsequent improvement in the area e.g. H&SC. A change in staff culture would be required for successful implementation of the strategy, with stringent budget management skills and tighter controls.
- ii. Cllr Brain reflected the concerns but suggested the new strategy required savings from all Services and not just those identified as areas of concern. The tasks and measures identified appeared more simple than in previous VFM documents.
- iii. The Service Director, Finance provided more information on the Directorate VFM priorities 2011/12 set out in the appendix 3 of the report. Senior Leadership Team (SLT) had created the list based on the services where improved VFM was a priority. All Managers were expected to focus on VFM and self- assessments were expected by February 2012, these would form part of the budget process.
- iv. Cllr Emmett referred to a more flexible, less targeted approach introduced by the Coalition Government - the Audit Committee would need to ensure that scrutiny of Council services continued.
- v. The Service Director, Finance confirmed that he was confident that Senior Officers were focused on VFM and used the example of H&SC. The change programme had re-assessed the commissioning framework and an alternative approach had been taken, with targeted saving delivered. Corporate Procurement

Officers had been seconded in to the Care Management team with the aim to drive costs down through improved negotiation.

vii. Cllr Hassell referred to the current economic downturn, Council Officers, outside contractors and partners understood that business strategy must change to reflect the budget pressures.

The Chair summarised that the Committee welcomed the report but acknowledged some scepticism. Results would be welcomed to track progress made.

RESOLVED - that progress being made in the implementation of the council's new Value for Money (VFM) Strategy (launched in June 2011) be noted.

**AC
45.9/11**

REVIEW OF NOMINATED DIRECTORATE RISK REGISTERS – CHILDREN AND YOUNG PEOPLE SERVICES (CYPS)

The Committee considered a report of the Service Director, Education Strategy and Targeted Support (agenda item no. 10) reviewing the updated CYPS Directorate Risk Register (DRR) attached as appendix A to the report, and noting amendments to the register.

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

- i. Cllr Kiely asked for information on the risks attached to the introduction of free schools and the impact this could have on the PFI contracts, which rely on pupil numbers. The Service Director, Education Strategy and Targeted Support confirmed that only one free school had been registered and more applications had been submitted. Proposals have been encouraged by Central Government and there would be no requirement to inform the Local Authorities (LAs), although it would be likely they owned the assets. The Service Director agreed to take this risk back to the department to be considered in more detail.
- ii. The Service Director, Education Strategy highlighted that there were currently 4,000 secondary school places, which included the current free school provision. There were currently 5,000 pupils in reception years and all the secondary school places would be required. The loss of numbers to the independent sector or from leaving Bristol had been tracked over three years and had

reduced from 25% to 12%, indicating more students were using the Bristol provision.

iii. Cllr Emmett referred to the transfer of schools to academies and the affect of this on the PFI numbers. The Service Director, Educational Strategy confirmed that the liability would remain with the LA, who would be responsible for provision gaps. Other factors would also affect numbers, i.e. the number of places available at neighbouring LA schools, growth in population etc.

vi. The Service Director, Educations strategy confirmed the following in relation to the Risk Register;

- CY022 Local Government Equality Standard 5
This had been addressed and it would no longer be considered a key risk.

- CY015 Risks related to key projects
The LEP would no longer be considered a key risk for CYPS but would still be a risk in delivery of the capital programme (CY020).

- CY001 Significant revenue budget overspend for the Directorate
The actual overspend figure stood at £2.5 million and further reductions were expected with a clear plan around recovery. Net 0% overspend would be expected.

RESOLVED - that the report be noted.

AC

46.9/11

REVIEW OF NOMINATED DIRECTORATE RISK REGISTERS - NEIGHBOURHOODS AND CITY DEVELOPMENT

The Committee considered a report of the Neighbourhoods and City Development Directorate Risk Champion (agenda item no. 11) reviewing and commenting upon the Neighbourhoods and City Development (excluding HRA) Directorate Risk Register (DRR).

Mike Harding, Finance Business Partner attended the Committee to present the report and introduced Kevin Lock, Team Leader Business Strategy. The Committee were invited to ask questions and the following comments were made;

i. The Finance Business Partner provided further information on actions following the Executive Member Briefings. Mitigating factors were defined as actions taken to reduce identified risk.

High risks identified should be considered again and more mitigations could be required.

- CRR 042 Flood Risk

The Finance Business Partner referred to the forthcoming Cabinet Briefing to review information. The issues related to the restructure and the need to reorganise and reallocate particular duties. It would be considered as part of the asset management assessment plan and more resources would be required.

- CDO 06 Risk of not meeting parking income targets

Cllr Emmett expressed frustration at the high risk status, this issue had been identified as a risk five years ago, yet no improvements appear to have been made. The Finance Business Partner highlighted that significant resources would be required – certain priorities have now been set (e.g. TROs) and the Executive Member, Councillor Kent, would be receiving a briefing so the resource issue could be addressed.

- CRR 040 Climate change – future proofing Bristol

The Chair questioned the low risk status when Flood Risk had been identified as high risk. The Finance Business Partner confirmed that the Climate Change indicator related to all directorates and included awareness and education. Other risks, i.e. the Docks were included independently.

The Chair thanked the Officers for the report but reflected that the Committee were concerned that no progress had been made in the high risk areas; CRR 042 – Flood Risk and CDO 06 – Risk of not meeting parking income targets. These areas would be monitored.

RESOLVED - that the Committee note the report.

AC

47.9/11

GRANT THORNTON'S ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2010/11

The Committee considered a report of the Service Director, Finance (agenda item no. 12) noting and commenting as appropriate on Grant Thornton's Annual ISA 260 Report.

The Service Director, Finance introduced the report, which would be considered with agenda item 13. Statement of Accounts Year Ended 31st March 2011. Reference was made to the considerable amount of work undertaken by the Finance Division in conjunction with Grant Thornton, External Auditors, linked to the introduction of the new IFRS regulations. The auditors had issued an unqualified

audit opinion on the Council's accounts and an unqualified VFM conclusion. The Whole of Government Accounts information had also been completed within the required timescale. The Service Director, Finance thanked the members of his team for all their hard work and also the Audit Committee Members' for their interest in this area of work.

John Golding, Grant Thornton, highlighted that only a small number of adjustments would be required, and these related to disclosures not the financial statements. The approach to the audit had changed from previous years, requiring more supporting evidence to be provided. Some changes in future working could be required but overall the external auditors were very pleased with the outcome.

The following salient areas were discussed;

i. Surplus Assets - school

The external auditor confirmed that the recommendation had resulted from the introduction of IFRS.

ii. Schools

Cllr Emmett questioned the approach to asset management required in relation to the increasing number of schools applying for academy status, i.e. buildings, school grounds etc. The external auditor confirmed that a fundamental shift would be required to ensure that ownership would be clear. The difficult legal issues would need to be carefully considered.

iii. Segmental Reporting

The external auditor confirmed that the new approach would make reporting better and helped link information back to management reporting to the Cabinet.

iv. Acton Pension Fund – assets

The pension fund figures quoted should have been higher by £14.5 million than the figure notified to the Council by the Actuary, due to an incorrect apportionment between the employing bodies. The external auditor confirmed that he had to draw this to the Committee's attention, as this had not been adjusted in the financial statements. The Service Director, Finance, confirmed that the pension fund amounts vary hugely on a daily basis. In addition, he indicated that it would be uneconomical for the Council to administer its own pension fund. In response to a question about joint working, he agreed that this was a means of securing cost efficiencies and could be applied to other services. Cllr

Emmett referred to the pressure of increased cost requirements and controls required to monitor the pension fund position.

v. Estimates and judgements

IFRS required more information about estimates and judgements made in preparing the accounts.

vii. Accounting for revaluation and impairments

The Service Manager, Corporate Finance, confirmed that not all assets were included on the asset register and as a result, any reconciliation between the accounting statement and the valuation certificate required some manual adjustments.

viii. Journals

Cllr Brain requested information on the number of officers who could enter in journals and what changes could be made. The external auditor stated that the Council would need to establish what changes could be introduced. The Service Director, Finance confirmed that this would be discussed with Internal Audit and the ICT Division.

ix. Unprocessed adjustments to the financial statements

The Committee agreed that they were happy not to make the adjustments related to PPE – Infrastructure assets, Investment properties and Pension assets.

x. Depreciation of assets

IFRS required that assets be depreciated from the acquisition date. It was agreed that this would be reviewed and actioned for the next financial year's accounts.

Cllr Hassell thanked officers and Grant Thornton for the good work that had been completed.

- RESOLVED -**
- (1) that the Committee note Grant Thornton's Annual Report to those charged with Governance for 2010/11—and the action plan agreed by management;**
 - (2) that the Committee are satisfied that the unadjusted misstatement reported in Appendix B to the report do not need processing by management;**

(3) that the Committee agree that the Letter of Representation to Grant Thornton is signed.

**AC
48.9/11**

STATEMENT OF ACCOUNTS YEAR ENDED 31ST MARCH 2011

The Committee considered a report of the Service Director, Finance (agenda item no. 13) seeking approval of the revised Statement of Accounts for the Year Ended 31st March 2011.

The following comments were made;

i. Heritage Assets

The external auditor highlighted that the value of collections would often be more than the value of individual pieces. Historically, asset valuations had been based on a historic cost or insurance valuation basis. There would be no depreciation charge and the value would only increase. The requirement to identify this class of asset would be introduced from next year and would therefore be looked at in more detail at a future date. The Service Director, Finance indicated that the Council received Renaissance Grant funding and grant conditions included restrictions on the sale and sharing of assets with other LAs who also received the grant. The majority of the pieces had been donated and could not be sold, the value of the collection would be more than just financial. Cllr Kiely expressed frustration related to the value of this type of asset and the costs incurred to store and maintain, when all other services had been tasked with reducing budgets.

RESOLVED - that the revised Statement of Accounts for the Year Ended 31st March 2011 be approved.

**AC
49.9/11**

GRANT THORNTON - CORPORATE PERFORMANCE REPORTING

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 14) noting and commenting as appropriate on Grant Thornton's review of Corporate Performance Reporting.

Ginette Beal, Grant Thornton, presented the report, which suggested 9 recommendations related to the use of scorecards.

- Recommendation 6 – The Relevance of reporting performance on the people (staff) domain should be reconsidered.

Following a query from Cllr Brain related to recommendation 6 Ginette Beal, GT Rep suggested that all the information on the scorecards should link to the corporate priorities so that the indicators remained consistent. Historically, the scorecards have focused on negatives and had not provided a consistent approach. The GT report suggested consistent priorities, linked to the Corporate Plan, would be a more effective way of assessing performance. Councillors and Officers would need information on achievement and where improvement was required. The GT Rep agreed that performance information on staff would be an important regulation tool, but suggested information on people could fit better lower down the assessment structure.

The Chair summarised that the Committee would agree with all the recommendations but Members felt that information on the staff would be important and would not agree with Recommendation 6.

RESOLVED - that the Committee note the Grant Thornton Report on Corporate Performance Report and agree with Recommendations 1 – 5 and 7 – 9.

AC

50.9/11

GRANT THORNTON: REVIEW OF CHANGE AGENDA

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 15) noting and commenting as appropriate on Grant Thornton's review of Bristol's Change Agenda.

The Service Director, Finance introduced the report in the absence of Paul Arrogoni, Service Director – ICT and Change.

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

i. Cllr Emmett commented that as former Chair of Resources he was pleased to read the report and re-iterated the need to establish the current position so a more detailed plan could be created. The Service Director, Finance confirmed that a further plan would be scheduled for January 2012 (not November 2012 as stated in the report).

ii. The Strategic Options Delivery Board would meet every four weeks and the membership consisted of SLT Members. Other

Boards were in place to assess services, i.e. the Benefits Realisations Board.

RESOLVED - that the Committee note the Grant Thornton review of Bristol Change Agenda and agree with all the recommendations.

INFORMATION REPORTS

AC

51.9/11

LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER

The committee considered the Local Government Ombudsman Annual Review Letter (agenda item no. 16).

Cllr Emmett stated he had requested the letter be presented to the Committee to ensure that Members were given the opportunity to assess if any strategic changes would be required. The following comments were made;

- The Chief Internal Auditor noted that the letter had not indicated any consistent areas of failure;
- John Golding, Grant Thornton agreed that the letter should be presented to the Audit Committee;
- Independent Member, Ken Guy highlighted that the statistics included providing the comparable data would be very interesting for the Committee;
- Cllr Kiely considered the BCC complaints process as good.

RESOLVED - that the letter be noted.

AC

52.9/11

DATE OF NEXT MEETING

RESOLVED - that the next meeting of the Audit Committee be held on 11th November 2011 at 2.00 p.m.

(The meeting ended at 4.50pm)

CHAIR