

BRISTOL CITY COUNCIL

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 16TH APRIL 2010 AT 9.30 A.M.**

- P Councillor Blythe
- P Councillor Brain
- P Councillor Emmett
- P Councillor Gollop (in the Chair)
- P Councillor Hassell

- P Ken Guy - Independent Member
- P Brenda McLennan - Independent Member

Also present;

Councillor Popham, Executive Member for Efficiency
and Value for Money

AC

**87.4/10 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

No apologies for absence were received.

AC

88.4/10 PUBLIC FORUM

There was no public forum.

AC

89.4/10 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC

90.4/10 MINUTES AUDIT COMMITTEE – 15TH JANUARY 2010

**RESOLVED - that the minutes of the meeting of the
Audit Committee held on 15th January
2010 be confirmed as a correct record
and signed by the Chair.**

AC

91.4/10

WHIPPING

No whipping was declared.

AC

92.4/10

CHAIR'S BUSINESS

1. At the request of the Chair, the Chief Internal Auditor updated the Committee on a recent fraud case. The case had concluded with a custodial sentence and it was agreed that the outcome of the case and information on the impact on pension contributions should be highlighted in the Source and on the Audit Fraud Bulletin.

2. The Chair thanked Members and Officers for their hard work on the Audit Committee and suggested it would be beneficial and productive if the same Members sat on the Committee for the 2010/2011 term. Future training for Audit Committee Members was discussed and the Chair stressed the importance of attending the training sessions. All Members would be invited to attend training on the Statement of Accounts, however due to the complexity of the final Accounts an overview of the Council accounts may be more appropriate for most Members.

AC

93.4/10

WORK PROGRAMME

The following comments were made in relation to the work programme.

- a. The Chief Internal Auditor highlighted that due to the size of the current agenda, a third period progress report had not been included; this work would be covered in the annual report in June.
- b. An update on the West of England Partnership was covered in the External Auditors report enclosed.
- c. The dates for the 2010/2011 Audit meeting were provided for the Members.
- d. The Partnership Policy and supporting Toolkit was now available on Source, training on the Policy could be arranged for Members who have an interest.
- e. The Chair suggested the Audit Committee would find short presentations from Internal Auditors beneficial. The Committee discussed options for receiving further training

and agreed that this should be kept separate from the Committee meetings. The Chief Internal Auditor agreed to provide some training options at a future meeting.

- f. The Committee requested that a draft work programme for 2010/2011 be created, the programme would set out the statutory items that must be considered each year, together with a number of suggestion of areas which should be considered for inclusion.

**RESOLVED - (1) that the work programme be noted
(2) that a draft work programme be created and brought the June meeting of the Audit Committee.**

**AC
94.4/10**

EVIDENCING THE DELIVERY OF VALUE FOR MONEY (VFM) IN PARTNERSHIPS IN BRISTOL

The committee considered a report of the Service Director Comprehensive Area Assessment (CAA) (agenda item no. 8) setting out the draft proposals framework for submission to the Governance Group of the Bristol Partnership.

The report was provided in response to concern that proper systems were not in place to assess the Value for Money (VFM) implications of working in partnership. VFM would be at the core of the Use of Resources assessment. The Service Director CAA highlighted the three key elements to VFM in partnership and evidencing VFM, these being:

- Deciding whether to engage with a partnership (set out, for the Council, in its Partnership Policy and Toolkit)
- Assessing the VFM of any support mechanism in place (using the Audit Commission template)
- Embedding VFM and evidencing outcomes in any project plan/business case for specific pieces of work (as set out, for the Council, in its VFM strategy).

The report presented had been support by SLT and although each partnership is different the principles of the report could be applied across the board. Comments received from the Audit Committee would be fed back to the Governance Group.

During the debate and questioning that followed the following points were highlighted:

- The Service Director CAA highlighted the difficulty in calculating partnership support costs, i.e. Officer time etc. However, the importance of partnership working is likely to increase as public agencies work to mitigate the impact of reduced resources, and develop further the thinking behind Total Place. It is therefore essential that public agencies are able to assess the cost/benefit of working in this way.
- The Committee discussed the importance of outcomes as a result of partnership working and the need to ensure that a duplication of work does not take place.
- Reference was made to the recent employment of a Neighbourhood Partnerships Director. As part of the role the Officer would be required to assess the systems and processes in place and to work towards improvement.
- The Service Director CAA responded to concerns that some Partners were not democratically elected. Each Partnership Board is aligned against a Scrutiny commission, which would assist in the democratic accountability.
- It was confirmed that the Governance group was formed from representatives from the four, main public agencies, the Fire Service, the Police Service, the Primary Care Trust (PCT) and Bristol City Council (BCC). The Review of risk management within the partnerships is the responsibility of the Governance group. The group would be requested to provide an update to the Audit Committee in six months time.
- Members acknowledged the difficulty in putting a financial figure on support costs. However, it was felt important that an attempt to identify and estimate Officer and support costs was made.

RESOLVED - (1) that the report be noted; and

(2) that a representative from the Governance Group provide an update to the Audit Committee in six months time.

GRANT THORNTON - 2008-09 GRANTS REPORT

The Committee considered a report of the Strategic Director Resources (Agenda Item No. 9), which summarised the outcomes of the certification work undertaken for 2008-09.

The Representative from Grant Thornton presented the report detailing the requirement to provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agreed the scope of the work with each relevant government department or agency and issues auditors with a Certification Instruction. Auditors are required to report annually on the results of certification work. Reference was made to 2.3 of the report:

“there has been an improvement in the quality of claims prepared for certification with a reduction in the number of claims qualified. However, as was the case for 2007-08 over half the claims required amendment”

Members were also asked to note 2.15 of the report, which stated

“Of the claims and returns submitted for certification the most significant findings were in relation to the following claims

- Housing and Council Tax Benefit scheme;
- Pooling of Housing Capital Receipts; and
- Housing Revenue Account Subsidy Base Data return”

The Committee requested that it be noted that Members were disappointed at the poor outcome of the report.

The Service Director, Finance agreed that the outcome of the report was negative and suggested that the Officers responsible for the areas needed to be at a more senior position. This would be revised and improvements would be become part of the Officers work programme.

Julie Masci expanded on significant findings in the report.

It was agreed that the Service Director, Finance and the Chief Internal Auditor would provide an update report to the September Audit Committee meeting. The report would contain actions taken as a result of this report and the names of the responsible Officers.

- RESOLVED - (1) that the report be noted; and**
- (2) an update report would be provided to the Audit Committee in September.**

**AC
96.4/10**

GRANT THORNTON: REVIEW OF AUDIT COMMITTEE EFFECTIVENESS

The Committee considered a report of the Strategic Director - Resources (agenda item no. 10) requesting comments on the draft assessment undertaken by Grant Thornton and to note the suggested areas identified to help strengthen its arrangements further in line with best practice.

The Representative from Grant Thornton presented the report summarising the initial review of the effectiveness of the Audit Committee, using the CIPFA Better Governance Forum toolkit and available best practice.

The Committee discussed the Key Messages summarised in 1.8 of the report and made the following comments:

- a. *“formalise a training programme for audit committee members informed by a review of members’ skills and experiences”*

Committee Members agreed that this would be beneficial. It was highlighted that Members of the Committee came from a range of backgrounds and training needs could be hard to identify. A skills audit could assist in formulating future training. Independent Member Ken Guy agreed to share an external checklist, which would assist in auditing the skills of Members.

- b. *“ensure that discussions of Audit Committee business are seen to be politically neutral”*

It was agreed that although ideally the Committee should remain politically neutral, it was accepted that this would be very hard to achieve all of the time due the majority of the Committee being Councillors. The Grant Thornton Representative stressed that this had not been considered a major problem and was only highlighted to ensure rare incidents did not become more frequent. It was

agreed that the report would be amended to ensure that this was noted.

- c. *“Explore further the Committee’s relationship with the Overview and Scrutiny Commission and the Resources Scrutiny Commission to ensure duplication is avoided but to promote complementary joint working “*

The Grant Thornton Representative explained that the CIPFA guidance suggested that Membership of both the Audit and Scrutiny Committees could give rise to a conflict of interest. The Chief Auditor highlighted that some CIPFA advice is outdated and revised guidance would have been expected, but had not been forthcoming. It was agreed that a comment would be added to the report to reflect this.

- d. *“consider whether the Chair of each of the committees noted above should formally meet on a periodic basis to discuss forward plans to ensure that there are no gaps in the respective roles and responsibilities of each committee;”*

It was noted that the Councillor Gollop, Audit Committee Chair, along with other Committee members were also members of the Resources Scrutiny Commission. Members agreed that this had a positive impact on the way the Committee worked. It was agreed the Resources Scrutiny Commission work programme would be submitted to the June meeting as an information item.

- e. *“prepare a matters arising list/action plan to be discussed at the start of each agenda”*

The Committee requested that the Chief Internal Auditor and the Democratic Services Officer should work in conjunction to create a Matters Arising Action list, which would be presented to the Audit Committee in June.

Members took note of the recommendations related to the format of the agenda and the inclusion of time limits for each item, however it was agreed that no further changes would be made at this time.

RESOLVED - (1) that the report be noted; and

(2) that a draft matters arising action list would be created and presented at the Audit Committee in June.

(3) that the Audit Committee and Resources Scrutiny Commission Work programmes be considered at the Audit Committee meeting in June.

**AC
97.4/10**

GRANT THORNTON AND AUDIT COMMISSION - WEST OF ENGLAND PARTNERSHIP (WEP) - REVIEW OF GOVERNANCE ARRANGEMENTS

The Committee considered a report of the Strategic Director Resources (agenda item no. 11) requesting comments on the joint report issued by Grant Thornton and the Audit Commission.

John Golding introduced the report. The review focused on governance, project management and value for money, these are key risks associated with multi-agency partnership working. The review also considered the overall management arrangements of the WEP and also focused on one key project – the Waste Private Finance Initiative (PFI) Outline Business case. The report was the first, baseline review of what would be a series of reviews of the WEP. Future reviews are likely to focus on more specific joint projects such as transport and economic planning. 12 recommendations were made and had been accepted by the WEP Chief Executive.

The Chief Internal Auditor highlighted that meetings have taken place with the Chief Executive of the WOE partnership. An internal risk register had been developed and regularly updated. In response to the recommendation regarding VFM, some work had already been undertaken, including developing collaboration on best practice via the Bristol Partnership with the NHS, the Police, the Fire Service etc. Progress has been made although not all the actions referred to in appendix 3, had been completed.

It was confirmed that phase two of the West of England Partnership Audit had commenced and key actions are being followed. The Committee agreed that the West of England Partnership Chief Executive should be invited to attend a future Audit Committee – date to be confirmed.

RESOLVED - (1) that the report be noted

(2) that the West of England Partnership Chief Executive be invited to attend a future Audit Committee meeting.

AC

98.4/10

GRANT THORNTON - PROGRESS REPORT

The Committee considered a report of the Strategic Director, Resources (agenda item no. 12) requesting comments on the Grant Thornton progress report.

The report presented set out an update on the work of Grant Thornton, which they proposed to undertake as set out in their 2008-09 and 2009-10 work programme.

The Grant Thornton Representative summarised the project work that would still be on going early in 2010. Updates were provided on the following projects:

- Review of the West of England Partnership governance arrangements (joint review with the Audit Commission)
- Financial Standing review
- Follow up review of Redland Green project, using Museum of Bristol “M Shed” as a tracer
- Asset management review
- Governance and review of effectiveness of Audit Committee.

The Committee were updated on the Use of Resources Assessment and the Financial Statements Audit. Members of the Council finance team attended a local technical accounting workshop in Exeter in March 2010. This workshop provided further training and support on specific accounts issues impacting on the 2009-2010 accounts and IFRS.

The 2009-10 Risk based project work was summarised:

- Review of Business Transformation
- Review of Neighbourhood Partnerships
- Review of West of England Partnership.

RESOLVED - that the report be noted

AC

99.4/10

GRANT THORNTON'S AUDIT FEE LETTER 2010-11

The Committee considered a report of the Strategic Director, Resources (agenda item no. 13) requesting comments on the Grant Thornton Audit Fee Letter for 2010-11.

The attached letter covered the audit elements of the work only. The inspection elements of work, and the associated fees would be confirmed separately through the Comprehensive Area Assessment Lead (CAAL). This letter set out Grant Thornton's responsibilities under the Code of Audit practice and it was confirmed that the proposed fee is prepared in accordance with the Audit Commission's work programme and scales of fees 2010-11.

The Grant Thornton Representative confirmed that at any one time, three financial years would be considered – the previous year, the current year and the forthcoming year. The letter attached is related to the 2010-11 financial year. The focus areas were highlighted as

- Business Transformation
- Performance Management
- Audit Social Care
- Total Place
- Impact of current economical climate.

It was confirmed that the Audit Commission appoints Auditors for a period of normally five years.

The Chair praised the positive working relationship achieved between the internal and external auditors.

RESOLVED - (1) that the report be noted.

AC

100.4/10

**AUDIT COMMITTEE DRAFT ANNUAL REPORT TO COUNCIL
2009-10**

The Committee considered a report of the Strategic Director - Resources (agenda item no. 14) requesting comments on the form and content of the draft report.

The Chief Internal Auditor introduced the report, which suggested a format for the Audit Committee Annual Report to Council. It was

highlighted that the parts of the report in italics denoted information yet to be confirmed. No more Audit meetings were scheduled prior to the report being presented to Full Council, the Chief Internal Auditor requested that Members email any comment or queries no later than late May or early June. The deadline for the Full Council Agenda would be 18th June 2010 and sufficient time would be required prior to this date in order to complete the final version and gain Audit Committee Members final endorsement.

The Committee requested that the draft work programme be included as part of the appendix. The Chief Internal Auditor confirmed that Partnership Working would be a generic part of the 2010/11-work programme.

- RESOLVED - (1) that the report be noted;**
- (2) that a draft work programme be included as part of the Annual Report Appendix.**

AC

101.4/10

REVIEW OF IMPLEMENTATION OF GRANT THORNTON RECOMMENDATIONS

The Committee considered a report of the Strategic Director, Resources (agenda item no. 15) requesting comments on management's progress with implementation of Grant Thornton's high priority recommendation.

The Chief Internal Auditor confirmed that similar reports would be submitted on a bi-annual basis in future. Currently recommendations have been implemented or were in progress of implementation, if any slippages were highlighted, these would be reported specifically to the Committee.

- RESOLVED - that the report be noted.**

AC

102.4/10

HEALTH AND WELLBEING PARTNERSHIP BOARD RISK REGISTER

The Committee considered an information report (agenda item no. 16) briefing members on the Health and Wellbeing Partnership Board Risk Register.

RESOLVED - that the report be noted.

AC

103.4/10 ANY OTHER BUSINESS

- a. The Chair referred to the ongoing threat of Central Government funding cuts and the possible impact on the Audit Section. The Chair highlighted the importance of Audit work and suggested that any reduction in Audit function would be a false economy as this would be a loss to the Authority in the long term.

The Chief Internal Auditor confirmed that although the Audit department had reduced their costs by 20% in the last five years, responsibility of the department had increased.

AC

104.4/10 DATE OF NEXT MEETING

RESOLVED - that the next meeting of the Audit Committee be held on Friday 18th June 2010 at 9.30am.

(The meeting ended at 12.55 pm)

CHAIR