

**BRISTOL CITY COUNCIL
MINUTES OF THE ANNUAL MEETING OF
THE AUDIT COMMITTEE
HELD ON 29TH JUNE 2012 AT 9.30AM**

- A Councillor Sean Emmett
- P Councillor Patrick Hassell
- A Councillor John Kiely
- P Councillor Mark Brain
- P Councillor Peter Hammond
- P Councillor Mark Weston
- A Ken Guy – Independent Member
- P Brenda McLennan – Independent Member

AC

1.6/12

ELECTION OF CHAIR

**RESOLVED - that Councillor Weston be elected
Chair of the Audit Committee for the
2012/13 municipal year.**

AC

2.6/12

ELECTION OF VICE-CHAIR

**RESOLVED - that Independent Member Ken Guy
be elected Vice-Chair of the Audit
Committee for the 2012/13
municipal year.**

AC

3.6/12

MEMBERSHIP OF THE COMMITTEE

In reference to the inclusion of the Standards Provision in the Audit Committee Terms of Reference, The Head of Legal Services confirmed that the process / procedures would be finalised once Government guidance had been received. The Independent Member for Standards would be a different person to the Independent Members who sit on Audit Committee. A report will be brought back to the Audit Committee on proposals.

Cllr Hammond noted that attendees of the Local Government

Association Conference had expressed concerns about the new arrangements and uncertainty about moving forward.

RESOLVED - that the following membership for the 2012/13 municipal year be noted:-

**Councillor Sean Emmett
Councillor Patrick Hassell
Councillor John Kiely
Councillor Mark Brain
Councillor Peter Hammond
Councillor Mark Weston**

**Independent Members – Ken Guy
Brenda McLennan**

AC

4.6/12 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS

Apologies were received from Cllrs Emmett and Kiely and Independent Member Ken Guy.

AC

5.6/12 TERMS OF REFERENCE

RESOLVED - that the terms of reference agreed by Annual Council on 15th May 2012 be noted.

AC

6.6/12 DATES AND TIMES OF MEETINGS 2012/13.

Cllr Kiely would be asked to confirm his availability for 9.30 am meetings. The meeting on the 28th September 2012 would be scheduled for 9.30 am and the dates and times of further meeting would be discussed at this meeting.

RESOLVED - that subject to Councillor Kiely's availability, the meetings of the Audit Committee for the 2012/13 municipal year be held on the following dates-

29th June 2012 – 9.30am

28th September 2012 – 9.30 am
9th November 2012 – 9.30 am
18th January 2013 – 9.30 am
19th April 2013 – 9.30 am

AC

7.6/12

DECLARATIONS OF INTEREST

Independent Member Brenda McLennan declared an interest in the Redcliffe Wharf Developer Selection report and did not take part in the discussion or the vote related to this item.

AC

8.6/12

MINUTES OF THE AUDIT COMMITTEE – 20th APRIL 2012

The Committee requested that quotations in minutes be printed in italics in future.

RESOLVED - that the Minutes of the meeting of the Audit Committee held on 20th April 2012 be confirmed as a correct record and signed by the Chair.

AC

9.6/12

PUBLIC FORUM

It was agreed that the Public Forum Item on Redcliffe Wharf would be heard before the agenda item.

AC

10.6/12

ACTION SHEET

Melanie Henchy-McCarthy, the Chief Internal Auditor (CIA) presented the action sheet, highlighting the salient points;

a. Audit Committee training

The information handouts used at the training on the 15th June 2012 would be circulated to Committee Members. The Treasury Management training session would be repeated alongside the Accounts training session, held before the September Audit Committee meeting. Some Members expressed concerns with the accessibility of the presentations and it was agreed that this would be addressed before future training sessions.

- RESOLVED -**
- (1) that the information handouts from the training session on the 15th June 2012 be circulated to Audit Committee Members;**
 - (2) that the accessibility of presentations be ensured prior to future training sessions;**
 - (3) that the action sheet for the 20th April 2012 be noted.**

AC

11.6/12

ANNUAL WORK PROGRAMME

The Committee considered a report of the Strategic Director Corporate Services (agenda item no.11) inviting members to agree the draft work programme for 2012/13.

The Chief Internal Auditor noted that a Legal Report detailing the inclusion of the Standards Committee's responsibilities in the Audit Committee Terms of Reference would be presented to the Audit Committee meeting in September.

The Chair requested that for the September meeting the Audit Committee reports be circulated to Members as soon as they were ready, which would allow Members more time to consider long reports.

Members noted that some of the appendices to the reports presented could have been viewed via a web link, which would reduce the size of the agenda papers.

The Chief Internal Auditor confirmed that the forthcoming Mayor election had been noted in the Annual Governance Statement – Emerging issues Report 2011/12.

- RESOLVED -**
- that subject to the comments outlined above the draft work programme for 2012/13 be agreed.**

GRANT THORNTON – REVIEW OF REDCLIFFE WHARF DEVELOPER SELECTION PROCESS

The Chair invited Mr Sawday to present his public forum statement on the Grant Thornton report on the Redcliffe Wharf Developer Selection Process.

The public forum statement had been circulated and read by Audit Committee Members.

Mr Sawday suggested;

- That sustainability had not been a criterion used to judge tenders received during the first round.
- The tender process had isolated the community. Following concerns of collusion the community had been excluded from the process.
- That Grant Thornton (GT) external Auditors had not followed the brief set by the Chief Executive and failed to tackle the most urgent issues that led to the review. GT had not been invited to consider whether Bristol City Council had acted in good faith. The brief asked that GT to consider if the process had been 'robust and appropriate'.
- That the process demonstrated lack of good governance. No policy or communication protocol had been in place.

Jan Ormondroyd, BCC Chief Executive provided the following information;

- The Council's process for selecting a suitable developer for Redcliffe Wharf had been challenged by external parties and the CEX commissioned GT to audit the process.
- All process information was made available to GT and interviews with key individuals conducted.
- Following completion of a draft report, people interviewed were invited to comment and a final report was produced, presented today.

The Grant Thornton Representative made the following comments;

- GT recognised the important issues and the degree of detail required for the report and as such the GT forensic team were asked to complete the review. As a result, this was a different type of report than that normally presented to the Audit Committee and language used reflected this.

- The GT review was completed through meetings with key individual and a review of the documentation provided.

The Audit Committee Members were invited to ask questions and the following comments were made -

- i. At the time of the review the tender process had not been completed and GT took the decision not to interview the developers involved. Two developers had been removed from the process and two remained. Following careful consideration GT decided that developers could potentially find it difficult to be entirely candid in criticising or supporting the tender process.
- ii. The GT brief for the review had been set by the CEX and took a broad approach. The areas considered were designed to allow conclusions to be drawn on the Developer selection. The report criticised the transparency of the process, which could have impacted on the views and perceptions in the community. GT did not consider themselves to be qualified to comment on sustainability issues.
- iii. GT noted the lack of a written process in place. This should have been set out clearly from the beginning.
- iv. Cllr Brain requested information on the financial value of the contract and Cllr Hammond noted the different processes for different value contracts. The Service Director, Finance confirmed the contract would be worth over £500,000 and therefore would be a key decision. GT noted that the procedure for disposal of land would be different to that being discussed.
- v. The Grant Thornton Representative referred to a meeting of the Officer Working Group (OWG), Redcliffe Futures Group (RFG) and Bristol Civic Society (BCS) on the 15th August when RFG and BCS submitted commentaries on the strengths and weaknesses

identified in each of the four schemes. The OWG, RFG and BCS collectively agreed to introduce a third stage to the process. RFG submitted a further commentary, using their own RFG scoring template on the 24th August, which recommended that the Igloo scheme be granted preferred developer status. The submission on the 24th August went against the course of action agreed at the meeting on the 15th August. Following concerns about the authorship of the RFG submission and the possibility of collusion the OWG sought advice from Internal Audit and Corporate Services (Legal Division) before making a recommendation that RFG be asked to withdraw from the process.

- vi. GT were not required to investigate if collusion took place but agreed with the view of the CEX that RFG should have been removed as the propriety of the process could have been questioned. It was noted that the RFG would be invited back in to the process once a developer had been selected and approved.
- vii. It was noted that the BCS stepped down from the process to ensure that no community group could be perceived as having more input than the other. GT highlighted that it would have been better if community groups could have been engaged but based on the facts the decision of BCC was correct based on perception.
- viii. The CEX provided assurances that no party should fear reprisals when providing an account of a process. No developer has come forward to complain about the process but any concerns would be dealt with appropriately. The CEX accepted the report recommendations wholeheartedly.
- ix. Cllr Brain suggested that the RFG should not have been excluded from the process. The process should have been set out clearly from the start and agreed with Mr Sawday that the process should be transformed from the bottom up.
- x. Cllr Hassell referred to the high level of integrity amongst BCC Officers but agreed that the chain of events had been unfortunate. The risk of misperception could cause a judicial challenge and the ground rules should have been clearer.

- xi. Cllr Hammond referred to the concerns raised relating to the Executive Member involvement, agreeing that clarity of the role of the Executive Members would be important. The Leader has the capacity to delegate powers deemed suitable to both Executive Members and Officers.
- xii. The Chair suggested that an Executive Member should have input throughout all stages of the process. Should an Executive Member remove themselves another Executive Member should be asked to over view the process. The Grant Thornton Representative confirmed that the Executive Members had removed themselves from the decision making process but had received regular briefings.
- xiii. The Chair suggested that the actions of BCC were flawed at several levels and transparency had been the main area of concern. The process would not be considered fatally flawed and the recommendations of GT should be accepted.

On being put to the vote there were three in favour and one abstention.

- RESOLVED - (1) that the Audit Committee note the Grant Thornton report commissioned by the Chief Executive and accept the recommendations stated within;**
- (2) that the Audit Committee recommend Executive Member involvement in all stages of the Developer selection processes and an alternative Executive Member be appointed when appropriate, i.e. if an Executive Member excludes themselves for personal reasons;**

- (3) that a report on the role of Executive Members and the role of Key Officers in relation to developer selection processes be brought back to the Audit Committee for consideration.

AC

13.6/12

CORPORATE RISK REGISTER (CRR)

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 13) requesting review of, and comments on the Corporate Risk Register, to ensure that the register properly reflects Members' current opinion.

Peter Robinson (PR), Service Director, Finance introduced the report which detailed the changes and variations to the risks since the previous quarter, last reported to the Audit Committee on the 3rd February 2012. The appendix of the report sets out the key risks across the whole of the Council. The report would also be presented to Cabinet.

The date at the bottom of the spreadsheets indicates the date the information was printed.

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

- i. PR confirmed that Flood Risk had been added as a result of the unpredictable weather over the last few years. Bristol has significant mitigations in place, i.e. insurance. Bristol had assisted in the Gloucester floods and had learnt from this experience.
- ii. Reference was made to the review of the risks relevant to the Mayoral referendum in May, which resulted in a vote in favour of an elected Mayor. It was confirmed that there would be a Purdah period prior to the Mayor election.
- iii. The Chief Internal Auditor confirmed that seasonal weather changes were under constant review but would not be considered a corporate risk.
- iv. PR referred to a report on Primary School places, which would be presented to Cabinet. The Chair noted the

Committees concerns that a lack of decision making could exacerbate problems. For example, a decision would be required on Primary School Places. PR agreed to report this back to Senior Leadership Team SLT.

v. Customer Services current risk status had reduced to 1 and therefore would be removed from the register.

vi. Cllr Brain expressed concerns that Senior Management Capacity remained a level 6. PR would report this back to the Senior Leadership Team (SLT).

- RESOLVED -**
- (1) that the Audit Committee request the Service Director, Finance to highlight the following concerns to the Bristol City Council Senior Leadership Team;**
 - a) Lack of decision making could exacerbate problems, i.e. in cases such as Primary School Places.**
 - b) That Senior Management Capacity remains at status level 6.**
 - (2) that the Audit Committee note the report and agree that the register properly reflect Members current opinion.**

AC

14.6/12

DRAFT STATEMENT OF ACCOUNTS 2011/12

The Committee considered a report of the Service Director (Finance) (agenda item no. 14) requesting comments on the draft Statement of Accounts for the year ended 31 March 2012, as appropriate.

An updated Statement of Account was circulated.

The Service Director, Finance noted that that Dave Miles had recently retired and the Principle Accountant, Tony Whitlock (TW) was in attendance to present the report.

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

- i. TW confirmed that increases in Pension liability was connected to inflation levels and beyond the control of BCC.
- ii. Cllr Brain requested information on the increases related to Officer Remuneration (page 72 of the report). PR confirmed this would be due to increments, fees and pension contributions. The Committee requested that a note explaining the increase in salary of the Health and Social Care Strategic Director be included in the Statement of Accounts.
- iii. In Reference to Foreign Exchange Risk (page 98 of the report), PR confirmed that money is paid in Icelandic Krona and converted back into sterling with no conversion fee. The report will be amended to reflect this.
- iv. PR confirmed that when schools transfer to Academies the Local Authority does not receive any money. All the assets become the Academy's property, for community use.
- v. The Grant Thornton Representative confirmed that the new code required heritage assets to be carried separately in the balance sheet as valuations. BCC has identified that assets were previously held as community assets within property, plant and heritage assets. These assets primarily relate to the City Museum's collections. TW highlighted that the majority of heritage assets carry restrictions on how they could be disposed or used. The Committee requested an explanation on heritage assets be included in the Statement of Accounts.
- vi. PR referred to the HRA Settlement payment to DCLG of £45,489,000. All the Core Cities were required to borrow large amounts of money and the Government Treasury provided a good rate loan for 50 years.

RESOLVED - (1) that the Audit Committee's requested amendments as detailed in minutes be actioned;

(2) that the Audit Committee note the Draft Statement of Account.

AC

15.6/12 GRANT THORNTON PROGRESS REPORT FOR 2011-12

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 15a) requesting comments on Grant Thornton's Progress Report for 2011-12.

RESOLVED - (1) that the report be noted.

AC

16.6/12 GRANT THORNTON INTERIM REPORT FOR 2011-12

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 15b) noting Grant Thornton's Interim Report for 2011-12.

The Grant Thornton Representative presented the report;

i. Melanie Henchy-McCarthy (MHM), Chief Internal Auditor responded to a query on the Overpayment of leavers due to late notification to Payroll. Successful recovery would be dependent on time scales and sensitivity would be required in the cases of changing employees circumstances. Every effort would be made to recover the overpayment.

ii. The Grant Thornton Representative confirmed that the problems noted with Subsystems not being reconciled to the General Ledger were as a result of the move from Corporate Finance to Shared Transactional Services and the change in process. This problem has now being resolved.

iii. It was noted that Internal Audit functions at BCC, like all services, were required to provide savings in line with the Council's overall target savings. This, together with increased, un-planned fraud work, has led to a slippage in the agreed work plan.

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

i. The GT Rep confirmed that they were happy with the progress made in Corporate Online Procurement System.

ii. When the risks were deemed high recommendations should be implemented in a timely manner.

RESOLVED - (1) that the report be noted.

AC

17.6/12

GRANT THORNTON ELENA REPORT

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 16)

Will Godfrey (WG), Strategic Director, Corporate Resources introduced the report and made the following comments;

- The Grant had been secured and now BCC would need to deliver on the agreed contract. External validation had been requested in the form of a report from the external auditor, Grant Thornton, which provided proper assurances.
- The GT report stated that the risks identified were manageable, with the biggest risk being a lack of co-ordinated activity through the Local Authority.
- An Officer group has been established, with WG as the Chair. The aim would be to ensure that decisions on work would not be taken in isolation.
- The GT Rep noted that changes in Government policy had negatively affected the tariffs, impacting the feasibility of elements of the investment.
- Other risks related to the claw back of the EIB grant, i.e. if the Council could not adhere to its proposals and/or the Leverage Factor has not been achieved in the required timescale.

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

- i. The GT Rep highlighted that the purpose of the technical assistance funding would be to allow the Local Authority to choose an appropriate approach. BCC would not be able to have a direct influence on the solar programme. WG referred to the 30,000 Council owned properties, which assisted in mitigating against this risk.
- ii. WG referred to the Green Deal, further information

would be provided later in the year and the role of BCC would need agreeing. The GT Rep agreed it would be very difficult to assess the influence of BCC, i.e. what qualifies as eligible.

iii. Technical support staff had been recruited and a Commercial Director would be recruited for a fixed term post.

iv. BCC would be required to report back periodically through the course of the three year term and any claw back of funds would be subject to negotiation and criteria. Various triggers would incur reduced repayments.

v. It was noted that the contract had not been signed until the GT report had been completed.

vi. WG confirmed that the Transformation Programme and the reduction in Council buildings had been taken into account.

vii. The GT Rep confirmed that the report looked at the associated risks of the ELENA project and had not assessed the risk of BCC generally, i.e. the risk stance. WG acknowledged modern LA activity had become more programme and reward based. The GT Rep confirmed that the conclusion of the report would have been the same for a private company.

RESOLVED - (1) that the report be noted.

AC

18.6/12

DRAFT ANNUAL GOVERNANCE STATEMENT

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 17) on the emerging issues to date for the Annual Governance Statement, (AGS) in the light of work of the committee during 2011-12 and to date.

Melanie Hensch-McCarthy (MHM), Chief Internal Auditor introduced the report and referred to the number of key risks identified for this year, i.e. Mayor election, Welfare Reforms, the Localism Act, which would be monitored, but were not considered significant at this time and would therefore not be included in the Annual Governance Statement for 2011/12

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

- i. PR explained that the Governance Statement looked backwards over the previous year, assessing Performance Monitoring and Government Targets and whether these had been correct in the previous year.
- ii. The shortage of primary school places in Bristol had been less than the other Core Cities. The CYPS process implemented had managed the concern. Even with the increase in Academies, new schools would be planned and Academies could also expand.
- iii. The Committee requested that changes in the Local Code of Corporate Governance be highlighted to allow changes to be viewed more easily. A strike through version would be circulated to the Committee and comments received via email. The deadline for the Statement was the end of September.

RESOLVED - (1) that the local Code of Corporate Governance showing the updates be circulated to the Audit Committee Members and Members to comment via email;

(2) that the report be noted.

AC

19.6/12

INTERNAL AUDIT: BENEFIT FRAUD ANNUAL REPORT 2011-12

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no.18) requesting acceptance of the Annual Report.

Alison Mullis (AM), Chief Internal Auditor introduced the report and the Committee were invited to ask questions;

- i. The Chair praised the work of the Internal Audit Department. The GT Rep confirmed that LAs knowledge of fraud was an important part of assurance work.
- ii. Cllr Brain referred to the DWP Housing Benefit Matching Service and Experian Credit Reference Agency, highlighting

the previous complaints received about how the process had been executed.

iii. PR responded to a concern that £65,500 of Proceeds of Crime Act (POCA) had yet to be collected. The BCC policy was to pursue recovery of money but this could often be difficult. All assets, pension funds etc would be investigated as avenues for money recovery. AM would gather further information and circulate to Members.

- RESOLVED - (1) that further information on Proceeds of Crime Act (POCA) financial recovery processes would be circulated to Audit Committee Members.**
- (2) that the annual report be accepted.**

AC

19.6/12

INTERNAL AUDIT: AUDIT PLAN REPORT 2012-13

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 18) requesting approval of the of the Annual Audit Plan coverage.

Melanie Henchy-McCarthy (MHM), Chief Internal Auditor introduced the report. Reference was made to the reduction in department resources; only high risk and mandatory areas could be addressed.

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

i. PR referred to the contingencies in the plan, which allowed for specific situations to be addressed. Re-prioritisation would take place, for example significant fraud cases would be dealt with immediately, especially when the police were involved.

ii. The Committee requested that the School Governance Arrangements/Bishop Road Funding Procedure title be changed to avoid confusion.

- RESOLVED - (1) that the annual audit plan be approved.**

AC

20.6/12 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - that under Section 100A(4) of the Local Government Act, the public be excluded from the meeting for the consideration of the following item, on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act as amended by the Local Government (Access to Information) (Variation) Order 2006.

AC

21.6/12 INTERNAL AUDIT: ANNUAL REPORT 2011-12

The Committee considered an exempt report of the Strategic Director, Corporate Services (agenda item no. 21) requesting comments on the Internal Audit Annual Report for 2011-12.

Melanie Henchy-McCarthy (MHM), Chief Internal Auditor introduced the report and made the following comments;

- Members were asked to note concerns related to certain improvements required, which reflected the concerns noted in the Grant Thornton Interim Report. Work was ongoing with Senior Managers to address the concerns.
- The Ombudsman report would be circulated to Members in July 2012.
- During the previous year work related to Fraud and Irregularity – Responsive had been triple the amount planned for. In addition, follow up work completed within the Internal Audit Department had often taken longer than initially expected.

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

- i. John Golding, Grant Thornton Representative responded to queries related to shared services,

suggesting that this would often be more beneficial for smaller Authorities who don't have the same Internal Audit breadth of larger Authorities. Smaller Authorities often struggled to keep Audit staff up to date.

- ii. PR added that BCC have a number of qualified sources and external Auditor Grant Thornton could be requested for an independent view when required. If BCC were to share Audit facilities it would be with another Unitary Authority and the cost effectiveness would need assessed.
- iii. Independent Member Brenda McLennan noted that in her experience, external / shared audit departments in the NHS were often distinct from the rest of the staff services.
- iv. It was agreed that the Chair would write to the Leader to express the views of the Audit Committee.
- v. Cllr Hassell highlighted the need to manage change to ensure all areas of work have been addressed, whilst acknowledging the challenge of reduced staff capacity. The Service Director, Finance agreed that staff capacity had impacted on the ability of departments to address certain areas.
- vi. The GT Representative reiterated the need to ensure that BCC provided Internal Audit with sufficient resources to complete all the necessary work required.

RESOLVED - (1) that the Audit Committee request the Audit Committee Chair to write to the Leader of the Council, highlighting the concerns noted in the Internal Audit – Annual Report 2011/12;

(2) that the Committee note the Internal Audit Annual Report for 2011/12.

AC

22.6/12

DATE OF NEXT MEETING

RESOLVED - that the next meeting of the Audit Committee be held on Friday 28th September 2012 at 9.30am.

(The meeting ended at 1.30 pm)

CHAIR