

## **DISCLAIMER**

**The attached minutes are DRAFT minutes. Whilst every effort has been made to ensure the accuracy of the information, statements and decisions recorded in them, their status will remain that of a draft until such time as they are confirmed as a correct record at the subsequent meeting.**

**BRISTOL CITY COUNCIL**

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 24<sup>TH</sup> SEPTEMBER 2013 AT 9.30 A.M.**

- P Councillor Brain (in the Chair)
- A Councillor Emmett
- P Councillor Hanby
- P Councillor Hopkins (arrived at midday)
- P Councillor Khan
- P Councillor Weston (left at 11.45 am)

Ken Guy - Independent Member

Also in attendance

- Councillor Gollop, Cabinet Member for Finance and Corporate Services
- Christopher Eskell – Independent Member for Standards Issues (left at 10 am)

**AC  
26.9/13**

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS**

Apologies for absence were received from Cllr Emmett and Independent Member Brenda McLeannan.

The Chair welcomed the newly appointed Independent Member for Standards, Mr Christopher Eskell, to the meeting.

Mark Taylor, Interim Service Manager, Finance was welcomed to the meeting. Ken Guy requested Independent Members be kept up to date with senior staff departures and appointments.

**AC  
27.9/13**

**PUBLIC FORUM**

None.

**AC  
28.9/13      DECLARATIONS OF INTEREST**

None

**AC  
29.9/13      MINUTES – AUDIT COMMITTEE – 28<sup>TH</sup> JUNE 2013**

**RESOLVED -      that the minutes of the meeting of the Audit Committee held on 28<sup>th</sup> June 2013 be confirmed as a correct record and signed by the Chair.**

**AC  
30.9/13      WHIPPING**

None

**AC  
31.9/13      CHAIR'S BUSINESS**

Two letters were presented for signing;

- A letter to Lord Fraud, Minister for Welfare Reform, re-iterating the Audit Committee's concerns as to how Local Authorities would continue to adequately support their counter Fraud effort with reductions in the DWP Grant and increasing budget pressures was agreed and signed by all the Audit Committee Members present.
- A letter to the Mayor and Cabinet re-iterating the Audit Committee's support for the work of the Benefit Fraud Investigation Team and Internal Audit for consideration during the budget negotiation process was agreed and signed by All Committee Members present.

**AC  
32.9/13      ACTION SHEET**

69.1/13 Business Continuity Report

The Committee agreed the Report would be presented at the January meeting.

93.4/13 Draft Audit Committee Work Programme

An action to write to the Chair of Resources Scrutiny Committee re: public transport subsidies had yet to be complete.

**Action – Ken Guy, former Vice-Chair of the Audit Committee to write to the Chair of Resources Scrutiny Committee to highlight concerns regarding public transport subsidies and to request appropriate scrutiny to ensure VFM.**

**RESOLVED - that the updated action sheet be noted.**

**AC  
33.9/13**

**WORK PROGRAMME**

a) Request for a Joint Audit Committee and Resources Scrutiny Committee meeting re: increasing Pension Fund Deficit.

The meeting was provisionally arranged for 9.30 am on the 14<sup>th</sup> February 2014, subject to the availability of a representative from the Avon Pension Fund.

Mark Taylor would provide Members with a briefing paper summarising the current situation.

b) Internal Audit Q3 Update (not Benefit Fraud) would be presented in January 2014 meeting.

**RESOLVED -**

**(1) that the work programme be agreed;**

**(2) that a briefing paper on the Pension Fund be circulated to Members prior to the joint Audit Committee and Resources Scrutiny Committee in February 2013.**

**AC  
34.9/13**

**MEMBERS' CONDUCT**

None

**AC  
35.9/13**

**STATEMENT OF ACCOUNTS YEAR ENDED 31<sup>ST</sup> MARCH 2013**

The committee considered a report of the Service Director, Finance (agenda item no. 10) requesting they approve the revised Statement of Accounts for the year ended 31<sup>st</sup> March 2013.

Tony Whitlock (TW), Principal Accountant introduced the report and the following was noted as part of the discussion;

i. Councils investments in Icelandic Banks

- One adjustment had not been made in the financial statements related to Councils investment in Icelandic Banks. Bristol City Council (BCC) took a prudent view in the approach not to revalue the investment and the adjustment has not impacted on the external auditors decision to provide an unqualified opinion of the Councils financial resilience.
- Mark Taylor (MT), Interim Service Manager – Finance noted that most Icelandic banks had forecast a full return of invested money. The Chartered Institute of Public and Financial Accountancy (CIPFA) guidance suggested that the money should be treated as an asset. BCC have decided to remain consistent to previous years and risk to the Council was minimal.
- The external auditors had not required an adjustment in the accounts and were satisfied with the approach. The debate related to the level of impairment and further discussions would be required following confirmation of the level of return.

ii. Explanatory Forward

TW noted that the explanatory forward had not been updated to reflect changes in the body of the statement of accounts; i.e. The Councils total reserves. This would be corrected.

iii. Borrowing and lending (page 51 of the agenda)

- In reference to the slippage in the capital programme, MT confirmed an assessment of the current position and three year plan would be required before considering a change in the Councils current borrowing strategy.
- Although the economy had improved the pace of change remained unknown. Borrowing could be off set to reduce the rates and rebalancing of the cash portfolio could be considered. Any change in the Treasury Management approach would be brought back to this Committee for consideration.

iv. Capital Expenditure (page 48 of the agenda)

MT agreed that 'Latest Forecast' should be termed 'Budget' and the HRA amounts should be shown separately in the table.

v. Balance Sheet items – total position (page 49 of the agenda)

- Independent Member, Ken Guy referred to continued reduction in the *Total Asset less liabilities*; it would be important to discuss the impact of pension liability. KG expressed a view that the comparator for capital spend of Total Spend vs Forecast spend was unhelpful and that a more useful comparator would be total spend vs budget.
- MB – suggested it would be helpful to separate out the HRA element in future.
- MT noted that all Local Authorities were concerned about the impact of pension liability. Changes in schools to academies could negatively affect the asset base. Fixed asset valuations could begin to increase and the property portfolio would need considering as part of the three year plan.
- The Grant Thornton Financial Resilience report would provide more information. Trends of change were important but several elements required consideration. A key message stated that Bristol would not be an outlier in any of the comparisons made.

vii. Movement in Reserves Statement (page 59 of the agenda)

- MT noted that BCC required sufficient money in reserves for emergency situations, e.g. a significant reduction in central government funding. One or two Members from the Audit Committee could review the accounts in detail to ensure the Committee could be confident with the situation.
- Cllr Gollop, Cabinet Member for Finance and Corporate Services emphasised the benefits of making accounts more meaningful.
- Angie Ridgewell, Interim Strategic Director Business Change referred to the code of practice which would dictate the form and content of the accounts. The Explanatory Foreword could be tailored to provide more information and to be more user friendly. Good practice could be considered and replicated.

- The Committee agreed that the additional scheduled March meeting would be used as an informal training session to consider the Statement of Accounts and how the foreword could be presented differently to be more helpful to readers. JG offered his assistance with this if required.

viii. Intangible Assets (page 92 of the agenda)

- The Amortisation policy states that depreciation would not take place in the year of purchase.

ix. Measuring Performance against Strategic Outcomes (page 45 of the agenda)

- The Chair suggested alternative wording could be considered when providing information.

The Committee thanked the Officers for the work undertaken to create the statement of accounts, noting the challenging task undertaken and the professional outcomes achieved.

**RESOLVED -**

**(1) that the revised Statement of Accounts for the year ended 31st March 2013, following completion of the audit, be approved;**

**(2) that a Statement of Account informal training session be arranged for March 2014.**

**AC**

**36.9/13**

**GRANT THORNTON'S ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2012/13**

The committee considered a report of the Service Director, Finance (agenda item no. 11) noting Grant Thornton's Annual Report to those charged with Governance for 2012/13 and the action plan agreed by management.

John Golding (JG), Grant Thornton Representative introduced the report, noting the following salient points;

i. Key Issues (page 157 of the agenda)

Many of the concerns highlighted would be addressed by the introduction of the new financial accounting system. Two other key issues were highlighted;

- ❖ Instances of delay incurred due to a lateness of information being provided;
- ❖ The risk related to the lack of breadth of knowledge within the organisation – with a number of individual being the sole point of contact.

Angie Ridgewell noted that instances of delayed information would be escalated to senior managers and resolved. New structures were now operating and resilience would be tested. No Officer should be indispensable and financial systems should allow for the majority of information to be collated at any time.

ii. Employee Remuneration (page 162 of the agenda)

MT noted the Committee concerns related to Employee Remuneration and adequate records. The issue related to the process and not payments made. Comments would be summarised in an action plan so progress could be recorded.

iii. Component Accounting (page 167 of the agenda)

A planned review on the asset base by category had not been complete.

iv. Presentation and disclosure (page 169 of the agenda)

An appropriate senior management review of the draft financial statement should be undertaken. A consistent approach would be beneficial.

v. Internal Controls (page 171)

Particular attention was drawn to;

- the need for complex passwords to gain access to the Vision applications. New passwords were required every three months.
- The need to strengthen documentation to support journals – a scheme of delegation would be required. The use of journals should be minimised.

Two letters required signing; Letter of representation from Management and an additional letter for the delayed certificate.



## **RESOLVED –**

- (1) that Grant Thornton’s Annual Report to those charged with Governance for 2012/13 and the action plan agreed by management be noted;**
- (2) that the unadjusted mis-statements included in the report do not require processing by management be confirmed;**
- (3) that the Letter of Representation for 2012/13 to Grant Thornton is signed be confirmed; and**
- (4) that the Letter of Representation for 2011/12 to Grant Thornton is signed and the delayed certified be noted be confirmed.**

**AC  
37.9/13**

## **GRANT THORNTON’S VALUE FOR MONEY (VfM) REPORTS**

The committee considered a report of the Strategic Director, Corporate Services (agenda item no. 12) noting Grant Thornton’s value for money reports.

John Golding presented the report and the Committee were invited to comment. The following was noted;

- i. Independent Member, Ken Guy referred to previous criticisms of the Annual Governance Statement (AGS) and the expectation that an action plan would be created for the whole governance structure.

AR confirmed the approach to the AGS had differed to previous years. Adherence to the Constitution and the Internal Control Framework would be a priority area. Discipline and compliance were big issues; robust performance management and consequences of non compliance would be required. Work would continue with Internal Audit to ensure that recommendations for improvement were actioned. Senior Managers would be required to lead the culture change and discipline when necessary.

MT reiterated the need for transparency, ensuring organisational governance moving forward.

Cllr Gollop suggested the electorate had provided the Mayor with a mandate to make decisions but actual governance issues had remained the same as in previous years. The City Director had committed to adherence and internal managers should have the capabilities to respond to issues correctly.

Cllr Weston suggested that the new role of Councillors remained unclear. Areas remained undefined and a plan would be required.

The Committee requested an action plan be presented at their meeting on 17<sup>th</sup> January and an update report be provided at each subsequent meeting until arrangements were improved.

ii. Cllr Gollop expressed concerns with the current role of Full Council and public engagement issues noted at the last two meetings. Full Council meetings were a mechanism of governance and the Audit Committee were responsible for this area. No other mechanism for change appeared available.

The Committee agreed that the issue required addressing but the Audit Committee would not be the correct forum. Members should discuss concerns with political parties.

iii. AR confirmed that although organisational change would impact on sickness levels, the rates had started to reduce again. Long term sickness issues continued to be reviewed. Information would be provided as a % to enable comparisons with other organisations. The workforce would significantly change, especially for manual jobs.

iv. BCCs Medium Term Financial Plan (MTFP) was a working document that had not been published beyond a year in advance. The Resources Scrutiny Committee had been provided with a detailed overview of the process.

## **RESOLVED -**

**(1) that Grant Thornton's value for money reports be noted;**

**(2) that a Governance Action plan be created for the January Audit Committee meeting and updated at each meeting after.**

**AC**  
**38.9/13**

**ANNUAL GOVERNANCE STATEMENT 2012/13**

The committee considered a report of the Strategic Director, Organisational Development (agenda item no. 13) approving the Annual Governance Statement as a fair reflection of the internal control and governance environment during 2012/13 and to date.

Alison Mullis, Chief Internal Auditor, summarised the report and advised the Committee that Grant Thornton had concluded that the Statement fairly reflected governance at the Council. The following points were noted as part of the discussion;

- AR confirmed that corporate panels provided a corporate oversight of the use and application of the Councils major resources. The remit would be relatively narrow, e.g. hospitality / equipment. The panels would not undermine or compromise Councillor decision making.

**RESOLVED - that the Annual Governance Statement be approved as a fair reflection of the internal control and governance environment during 2012/13 and to date, prior to it being signed by the Leader of the Council, the Chief Executive and the s151 Officer.**

**AC**  
**39.9/13**

**INTERNAL AUDIT – QUARTER ONE UPDATE REPORT**

The committee considered a report of the Chief Internal Auditor (agenda item no. 14) noting the Internal Audit quarterly update report for period 1<sup>st</sup> April to 30<sup>th</sup> June 2013.

The Chief Internal Auditors annual opinion on the level of risk within the Council's control, risk and governance environment has for the last two years been determined as 'Of Concern'

The Chief Internal Auditor noted that a work programme had been agreed with management to ensure that Audit work can be progressed to review the controls in the new financial system. At the end of quarter 1 this had not progressed sufficiently to revise the Internal Audit opinion. Additionally, it would be hoped that end to end process reviews of the core financial processes would add to assurances around the new system.

The new financial system should address some of the issues and reviews continued in certain areas to ensure robust procedures. It is hoped that sufficient progress should be apparent by quarter three and issues to be addressed will be included in the action plan referred to above and reported back to Committee in January

The Grant Thornton Representative highlighted the importance of progress, including consideration of the GT recommendations from their reports, to avoid any adverse impact on their value for money opinion going forward.

The Chief Internal Auditor noted that Internal Audit resources were currently depleted due to officers who were absent due to sickness and maternity leave; a request would be made to the People Panel to backfill posts to ensure the appropriate work can be completed.

**RESOLVED - that the Audit Committee note the report.**

**AC  
40.9/13**

#### **UPDATE ON INFORMATION SECURITY**

The committee considered a report of the Strategic Director, Corporate Services (agenda item no. 15) updating on information security.

Bernadette Keen, Information Security Manager presented the report. The following was noted as part of the discussion;

- Uptake of Information Security Training had been lower than expected; with Corporate Services in the upper quartile and Children and Young Peoples Services/City Development/Health and Social Care in the lower quartile.
- MT highlighted the need to prioritise; policies and procedures should be re-enforced, i.e. access to IT could be restricted should Officers not complete training. Adherence could be included as part of Officers Performance Management Development Scheme (PMDS).
- Cllr Gollop noted that issues had been reported at the Resources Scrutiny Committee and Cabinet meetings. Culture change remained an issue; BCC should use employment terms and conditions to address issues. A consistent message from senior

management would be required and it could be necessary to make examples of people.

- AR highlighted that the City Director had committed to addressing compliance issues but the behavioural changes required could take time to change.
- BK noted that Councillors should also complete the Information Security Training. The Chair suggested the Group Whips could prompt Members and Rachel Boast, Councillor Development Officer could be asked to assist with training issues.

**RESOLVED - that the report be noted.**

**AC**

**41.9/13**

**DATE OF NEXT MEETING**

**RESOLVED - that the next meeting of the Audit Committee be held on Friday 8<sup>th</sup> November 2013 at 9.30 a.m.**

(The meeting ended at 12.20 pm)

CHAIR