

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 2 May 2014 at 9.30am**

P Councillor Brain (in the Chair)
P Councillor Emmett
P Councillor Hanby
A Councillor Hopkins
P Councillor Khan
A Councillor Weston
A Councillor Watson – Substitute for Councillor Weston

A Ken Guy - Independent member
P Brenda McLennan - Independent member

**Councillor Gollop – Assistant Mayor for Finance and
Corporate Services (left at 10.30 am)**

AC

90.5/14 Apologies for absence, substitutions and introductions

Apologies for absence were received from Councillors Hopkins and Weston and Independent Member, Ken Guy.

AC

91.5/14 Public forum

None.

AC

92.5/14 Declarations of interest

None.

AC

93.5/14 Minutes – Audit Committee – 14 February 2014

Employer Costs of Bristol City Council Employee Pensions

Cllr Gollop confirmed that the Mayor would receive a detailed briefing on the complex issue which would need to be considered as part of a wider context.

Resolved – that the minutes of the meeting of the Audit Committee held on 14 February 2014 be confirmed as a correct record and signed by the Chair.

AC

94.5/14

Whipping

None.

AC

95.5/14

Chair's business

a) Due to the professional rules governing engagement lead, Barry Morris would replace John Golding as the Grant Thornton Lead Officer at Bristol City Council (BCC).

The Chair thanked John Golding for the hard work undertaken for BCC.

b) Independent Member, Ken Guy was unable to attend the meeting and had sent queries to the Chair regarding the Audit reports to be considered at the meeting.

AC

96.5/14

Action sheet

Resolved – that the updated action sheet be noted.

AC

97.5/14

Final work programme 2013/14

Resolved – that the final work programme be agreed.

AC

98.5/14

The draft 2014/15 Audit Committee work programme

The committee considered a report of the Chief Internal Auditor (agenda item no. 9) noting the provisional dates and format for the 2014/15 Audit Committee meetings as contained in the draft work programme.

Meeting dates

Independent Member Ken Guy was unable to attend the scheduled Audit Committee meetings on 27th June or 4th July. Following advice from the Melanie Henchy-McCarthy (MHM), Chief Internal Auditor and Mark Taylor (MT), Service Manager - Finance, the Audit Committee

Members agreed to move the meeting on the 4th July to the 11th July 2014 (**Action – KB**).

The meeting dates for 2014/15 would be officially confirmed at the Audit Committee AGM meeting on 27th June 2014.

Additional items

MHM noted that two additional items to be added to the work programme - Financial Governance & Commissioning Governance. The July meeting would consider the accounts and be used as a training session – no additional items would be added to the agenda for this meeting.

Resolved – that the draft 2014/15 work programme be noted.

AC

99.5/14

The extension of the current independent member appointments to the Audit Committee

The committee considered a report of the Finance Director, S151 Officer (agenda item no. 10) seeking approval to extend the current independent members appointments for up to three years.

The Chair confirmed he would be happy to extend Independent Members terms of office and suggested the end dates be staggered to spread the pattern of succession.

The Committee agreed to extend the term of Ken Guy by two years and Brenda McLennan by three years.

- Resolved -**
- that the membership on the Audit Committee of Independent Member, Ken Guy be extended by two years (term to end in July 2016);**
 - that the membership on the Audit Committee of Independent Member, Brenda McLennan be extended by three years (term to end in October 2017).**

AC

100.5/14

The appointment of Honorary Aldermen

The committee considered a report of the Democratic Services Manager (agenda item no. 11) endorsing the proposals on the appointment of Honorary Aldermen.

In addition to those people listed, the Chair also nominated Cllr

Naysmith.

Karen Blong, Democratic Services Officer confirmed that a further Appointment of Honorary Alderman report would be presented to the Audit Committee AGM meeting in June. Nominations and background information for Honorary Alderman should be emailed to the clerk of Audit Committee.

Following approval at the Audit Committee, nomination would be considered at the Full Council meeting on the 22nd July 2014.

Resolved – that, due to their significant contribution to the local community, as outlined in the report, the proposals that the title of Honorary Aldermen be conferred upon –

a.Derek Pickup

b.Peter Hammond

be endorsed and recommended to full Council accordingly.

AC

101.5/14 Grant Thornton's Progress Report for 2013-14

The committee considered a report of the Strategic Director (Business Change) which considered the planning work and progress to dates in:

- the financial statement audit;
- The Value for Money (VfM) conclusion work.

John Golding (JG), Grant Thornton presented the report and the following was noted as part of the discussion;

Councils choosing their auditors one step closer

The Local Audit and Accountability Act received Royal Assent on 30th January 2014 and amongst other things, the Act required Local Authorities to take responsibility for choosing their own external auditors.

- Central Government were concerned that Audit Committees and auditors were not independent of each other and the Government were keen to promote the use of Independent Members. The Local Audit and Accountability Act would require Local Authorities to establish an independent audit appointment panel (IAAP) to be responsible for advising the authority on the maintenance of an independent relationship with the local auditor appointed to audit

its accounts. The Audit Committee could have a role but a separate panel with an Independent Chair would also be required. The IAAP would make recommendation on the appointment of the external auditor and could then be dismissed. A large number of authorities were considering joint commissioning.

- Cllr Gollop, Assistant Mayor for Finance and Corporate Services noted that John Golding had been a consistent support to BCC whilst internal officers had changed frequently. The Audit Committee had the knowledge required to appoint the external auditors.
- JG noted that guidance had not yet been provided and it could be that the current Audit Committee Independent Members could be permitted to Chair the new auditor panel.
- Grant Thornton also the audited the neighbouring Unitary authorities. Processes to ensure independence were in place.

Better care Fund (BCF)

The Fund would have a significant impact on Bristol City Council (BCC) and health colleagues. The GT report included information on the scale of the change.

- Barry Morris (BM) noted that Grant Thornton were undertaking a high level review of Better Care Fund. BM also audited the CCG and NHS trust which allowed a useful oversight. Ethical Boards were in place to ensure no contamination of evidence.
- MT confirmed that BCC were on track to develop the Health and Wellbeing Board and changes were recognised by the BCC Boundary review submission. The impact would not be apparent until next year but difficulties were not expected. John Readman, Strategic Director – People had confirmed that working relationships were sound and understanding was good. The CCG were slightly behind ensuring the correct processes were in place. Benefits were expected when budgets were transferred. The BCF provided an opportunity to gain synergies and the final iteration was expected from Central Government in July.
- The lines of report were provided as part of the governance structure. MT would circulate (**Action – MT**).

Austerity continued – further cuts in spending powers

- MT confirmed that a Medium Term Financial Plan (MTFP) had been produced up to 2016/17. Austerity continued but the Local

Government Settlement had been less aggressive than in previous years and therefore easier to manage.

- Update reports would be presented to SLT in June and to Cabinet in July. The overall business case would be considered by the Resources Scrutiny Committee (or equivalent).
- If BCC managed the MTFP correctly for the next two years, surplus in year three could be reinvested. BCC were in a better financial position than Core Cities in the North of the country.
- GG suggested that a more formal process should be in place to ensure that the Independent Members on the Audit Committee were kept up to date with relevant issues.
- MT noted that Cabinet reports and the MTFP were public documents. The quarterly reports and MTFP would be circulated to the Independent Member on the Audit Committee (**Action – MT**).
- The Independent Members were invited to contact Cllr Gollop and / or the Service Director – Finance to discuss particular areas of concern or interest.

Resolved – that the report be noted.

AC

102.5/14 Grant Thornton's audit plan 2013/14

The committee considered a report of the Strategic Director, (Business Change) (agenda item no. 15) considering the plan which sets out the work Grant Thornton will carry out discharging their responsibilities to give an opinion on the council's financial statements and a conclusion on the council's arrangements for achieving value for money.

Barry Morris (BM), Grant Thornton provided the Committee with an overview of work and presented the report. The Committee were invited to ask questions and the following was noted as part of the discussion –

Pensions

- Prepayment of pension contributions would produce savings for BCC. Following legal advice, the Audit Commission had advised against this approach. Grant Thornton had taken independent Legal advice and had produced a different conclusion, which had

been agreed with the four finance directors and four monitoring Officer from the four Avon authorities in the Avon Pension Scheme.

- The final decision would be the responsibility of the 151 Officer. The saving made by pre-paying the pension contribution would be £3million.
- Cllr Gollop highlighted that the allocation of money had already been agreed, the decision related to the early payment which was not a key decision.
- The Chair requested a brief information report be provided to the next Audit Committee meeting agenda (**Action – MT**). The report should provide information on the legal powers that allow the prepayment of the pension contribution.

Financial Reporting

- The significant late changes were challenging and regular meeting with Grant Thornton were taking place. Jon Clayton, Principal Accountant had been tasked with implementing the required changes this financial year. However, this could provide difficult and the Audit Committee would be kept up to date.

Other risks identified – Employee Remuneration

- This would be reviewed by Service Director – Human Resources as part of the Human Resources Review. Employee leave years would also be reviewed.

Other risks identified – Suspense Accounts

- Internal Audit were currently investigating suspense accounts as part of the bank reconciliation process. MT noted that certain controls were absent when Agresso was introduced. Significant improvements had since been made and the majority of accounts had been reconciled and were managed at the expected level.
- It was hoped that the 2013/14 Collection Fund target would be achieved by May /June. Regular liaison had taken place with GT who confirmed they were happy with the BCC approach.
- The finance team were committed to producing the budget books and reconciliation work had taken place.

Resolved – that the report be noted.

AC

103.5/14

Project specification – Review of governance arrangements – Phase 2

The committee considered a report of the Strategic Director, (Business Change) (agenda item no. 16) commenting on Grant Thornton's project specification on review of governance arrangements phase 2.

John Golding, Grant Thornton presented the report, noting that a draft report would be produced for July 2014.

Any significant changes would be reflected in the Annual Governance Statement (AGS).

The Committee requested that the Group Whips, Party Group Leader and the Chair of the Overview and Scrutiny Management Committee be consulted (**Action – KB to send a copy of the report to the forthcoming Chair of OSM**).

The Chair noted that one BCC Councillor was an Independent Member and should also be consulted.

Resolved – that the report be noted.

AC

104.5/14 Grant Thornton's fee letter for 2014/15

The committee considered a report of the Strategic Director, Corporate Services (agenda item no. 13) considering the audit fee letter which sets out the proposed audit fee and outlining the work programme for 2014/15.

John Golding (JG), Grant Thornton presented the report which set out the proposed audit fee and outlined the work programme for 2014/15.

The fee assumed that all information from finance would be satisfactory. If problems occurred this could increase the fee, any issues would be reported to the Audit Committee.

Resolved – that the report be noted.

AC

105.5/14 Treasury management briefing

The committee considered a report and verbal update from the Service Director, Finance (agenda item no. 17) noting the update.

Mark Taylor, Service Director – Finance presented the report and the

following was noted as part of the discussion –

- The BCC Treasury Fund remained passive – BCC were not actively seeking investment opportunities as markets were still fragile.
- BCC were focused on bringing back the cash balance: paying back debt would be expensive so BCC aimed to keep the level steady.
- Until the cash available reduced, there would be no need to borrow money. Options included the LGA mutual bond scheme. BCC had an agreement within the Local Enterprise Partnership (LEP) regarding £39million of potential loans with interest below the PWLB interest rate.
- Although BCC aimed to avoid investment in non-ethical areas, the Avon Pension Fund portfolio was beyond the control of BCC. Most money transactions were within the banks.
- BCC currently banked with Natwest. Most Local Authorities using the Co-op had managed their account relationships due to the recent concerns.

Resolved – that the report be noted.

AC

106.5/14 Control and governance – Progress update

The committee considered a report of the Strategic Director, Business Change (agenda item no. 18) noting the continuing progress to address the issues raised by internal and external auditors in the financial year 2012/13.

Mark Taylor (MT), Service Director – Finance, introduced the report and the following was noted –

- All Change Programmes have been consolidated under one change programme under the Strategic Director - Business Change, the Service Director – Human Resources, Service Director – Business Change and Service Director – Property.
- All SLT Officers had been recruited on permanent contracts and the recently published Medium Term Financial Plan (MTFP) and Corporate Plan created a solid foundation.
- Decision making had been developed by the Service Director – Legal and Party Group Leader. The interaction between the

Mayor, Cabinet and SLT required further consideration. Grant Thornton would work with Members to gather information for the Annual Governance Statement (AGS).

- The Mayor 's Forward Plan, which included all key decisions, had been created for the year. A monthly financial "flash" provided updates on major revenue and saving items and quarterly reports provided a summary of the main issues across the whole Council.
- Max Wide, Strategic Director – Business Change would review the general performance of BCC and a report would be provided in the coming months.
- Internal Audit's approach has changed to reflect the change in organisational culture. The risk management process had been reviewed within the organisation and provided a revised methodology for identifying the risks the Council should focus on.

Resolved – that the continuing progress to address the issues raised by internal and external auditors in the financial year 2012/13 be noted.

AC

107.5/14 Corporate risk register – Progress update

The committee considered a report of the Strategic Director, Business Change (agenda item no. 19) noting the progress in reviewing the corporate risk register.

Melanie Henchy-McCarthy (MHM) presented the report which noted the good progress made in reviewing the approach to identifying and recording corporate risks. Risk experts Zurich Municipal were engaged to help with the review and workshops have identified a different approach and philosophy in identifying and managing corporate risks including re-drawing the risk matrix used in assessing risk.

The Committee were invited to ask questions and the following was noted as part of the discussion-

- a) The Corporate Risk Register, Preferred Risk Matrix (page 111 of the agenda papers) rated likelihood in six levels from Almost Certain to Almost Impossible. The Probable level indicates a more than 50% change of occurrence. The Likely level indicates that the event *could* happen. The Committee requested the report be amended to indicate the difference between Probable and Likely **(Action – MHM)**.

- b) MT noted that values and probabilities would be included in the report. The new risk register focused on the bigger risks that require management attention. An update would be presented at the June Audit Committee meeting.
- c) MHM highlighted the improved engagement with the Extended Leadership Team (ELT). The risk register was now Council owned.

Resolved – that the progress in reviewing the corporate risk register and the intention to bring the fully developed corporate risk register to the June 2014 Audit Committee for scrutiny and challenge be noted.

AC

108.5/14 Audit Committee draft – Annual report to Council 2013/14

The committee considered a report of the Chief Internal Auditor (agenda item no. 20) commenting on the form and content of the Audit Committee's draft annual report to Full Council.

Melanie Henchy-McCarthy (MHM), Chief Internal Auditor presented the draft report and the Committee were invited to comment.

John Golding, Grant Thornton suggested the report could include the details of the changes to future Audit arrangements **(Action – MHM)**.

Resolved – that the report be noted.

AC

109.5/14 Date of next meeting

Thanks were noted to Mark Taylor in his role as the Interim Service Director - Finance and Councillor Brain, Chair of the Audit Committee for 2013/14.

Resolved – that the next meeting of the Audit Committee in the 2014/15 municipal year will be on Friday 27 June 2014.

(The meeting ended at 11.40am)

CHAIR