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Agenda Item No. 7

Bristol City Council

Minutes of the Meeting of the Audit Committee

24th April 2015 at 9.30 am

Present:

Councillors Lesley Alexander, Charlie Bolton, Mark Brain (Chair) and Olly Mead;
Independent Members – Ken Guy and Brenda McLennan.

Also in attendance:

Councillor Geoff Gollop - Assistant Deputy Mayor, Peter Gillett - Service Director, Finance and S 151 Officer, Tony Whitlock – Principal Accountant, Alison Mullis and Melanie Henchy-McCarthy - Chief Internal Auditors (J/S), Chales Harding – Contracts Manager Facilities Management, Alex Minshull – Sustainable City and Climate Change Service Manager, Emma Lloyd – Finance Director Bristol 2015, Lynda Bird – Senior Project Manager; Barrie Morris and Julie Masci - Grant Thornton; Greg Rubins - BDO.

80. Apologies for Absence and Substitutions (Agenda Item No. 1)

Apologies were received from Christopher Eskill – Independent Standards Member.

81. Councillors Phil Hanby and Barbara Janke

The Committee noted that they were both standing down at the forthcoming Election. The Chair thanked them for their work on the Committee.

82. Declarations of Interest (Agenda Item No. 2)

There were none.

83. Minutes of the Audit Committee held on the 6th March 2015
(Agenda Item No. 3)

Resolved - that the Minutes be agreed as a correct record of the Meeting and signed by the Chair.

84. Public Forum (Agenda Item No. 4)

David Redgewell – Agenda Item No. 7 Bristol 2015. This statement was taken into account when the item was considered. A copy of the statement is contained in the Minute Book.

85. Action Sheet (Agenda Item No. 5)

The Principal Accountant tabled a paper on the Overall Spend for Metrobus. A copy of this paper is contained in the Minute Book.

86. Work Programme (Agenda Item No. 6)

The Chief Internal Auditor introduced the report and summarised it for everyone.

Resolved – that the Work Programme be noted.

87. Bristol Green Capital – Update (Agenda Item No. 7)

The Committee considered this report.

Service Director, Finance and S 151 Officer, Sustainable City and Climate Change Service Manager, Finance Director Bristol 2015 and Senior Project Manager were in attendance for this item.

The Service Director, Finance and S 151 Officer introduced the report and summarised it for everyone.

During the debate the following points were made and/or answers provided:

- There is no financial gap in the funding, everything planned is funded; any new funding would be used for additional projects
- Amounts secured for funding are a mixture of cash (£1.8m) and value in kind (£2.8m)
- Work is ongoing in securing further sponsorship
- Cash secured during the year would be spent on specific and low level events; the company board would make decisions projects and larger events
- The report showed that support costs overall are 13% overall, being higher in the first financial year during setup and lower in this financial year where they are only 9%
- An ongoing audit is taking place with each covered throughout the project; a report will be brought to the Meeting of the Committee in June

Resolved – that the current governance arrangements in place in relation to Bristol 2015 Ltd and the financial update on the allocation of public funds and external sponsorship to Bristol 2015 Ltd. be noted.

88. Markets Financial Update (Agenda Item No. 8)

The Committee considered this report.

The Service Director, Finance and S 151 Officer, Chief Internal Auditors (J/S) and Contracts Manager Facilities Management were in attendance for this item.

The Service Director, Finance and S 151 Officer introduced the report and summarised it for everyone.

The Contracts Manager Facilities Management explained that he had been brought into the Markets Service between April and October 2014 as a result of management concerns to stabilise improve the situation. There were concerns in particular about cash collections and these have now been changed to cashless collections along with other system improvements including changes to ABW. The £41,000 debt remains unaccounted for, but is not thought to be the result of misappropriation or bad management. The debt is still being pursued.

Members expressed great concerns about the debt and requested that a full list of Internal Audit recommendations to improve the service prevent a similar future occurrence be presented to the Committee.

The Chief Internal Auditor stated that poor controls had existed and they (Internal Audit) were not able to determine what had happened to the money. A further review of the Markets was planned and a report would be presented to the Committee at a future Meeting, either September or November. This would allow time for inclusion of responses to the recommendations to be included in the report.

The Assistant Deputy Mayor expressed concerns about continuity and the changes in the holder of the Service Director, Finance and S 151 Officer post. He noted that although the Markets is a relatively small area within BCC, it was significant because of the cash issue and the risks that presented. He also questioned whether the present location of the Markets Service within the BCC management structure was the correct one. In response to the issue of the location of the Markets Service within the BCC management structure, the Service Director, Finance and S 151 Officer stated that this could be raised with SLT.

The Assistant Deputy Mayor added that the debt had come to light as a

result of a whistleblower three years ago. A lot of work had been done by Internal Audit, but it had not been possible to identify what had happened to the money. Accounting systems have been changed to ensure that this situation is rectified for the future.

It was noted that the Markets Charter was not being applied across the City, but this issue was being addressed.

Resolved – (1) that the progress delivering revised operational and financial controls be noted;

(2) that the resourcing for final reconciliation work be noted;

(3) that a report from Internal Audit on their recommendations for the Service be received by the Committee at their Meeting in either September or November 2015.

89. BDO- Introduction and Audit Planning Letter (Agenda Item No. 9)

The Committee considered this report.

Greg Rubins introduced this report and summarised it for everyone. He stated that BDO is the sixth largest accounting company in the UK. They have a lot of experience of doing Local Authority work. The contract will be supported by their local office in Bristol. The company has been appointed with effect from 1st April 2015. They will do the 2015/16 Accounts, whilst Grant Thornton will do the 2014/15 Accounts. The Planning Letter is a summary of the work they will carry out with a more detailed plan to be produced later in the year. He noted that the fee to be paid by BCC had been reduced.

Resolved – that BDO's planning letter for 2015-16 be noted.

90. Grant Thornton – Audit Approach (Agenda Item No. 10)

The Committee considered this report.

Barrie Morris introduced this report and summarised it for everyone. He explained that there would be a handover arrangement with BDO. He noted that there are key emerging risks for all Local Authorities including the financial aspects of partnership arrangements. Accounting arrangements for all partnership arrangements were being looked at as well as the issue of the value derived from partnerships.

The issue of partnerships was debated and it was noted that organisations such as Bristol 2015 have formal links but that there may not be specific financial arrangements in relation to lower level partnerships. The Chair therefore requested that the Service Director, Finance and S 151 Officer produce a list of such partnerships. He also requested that a report on the governance arrangements for the LEP be brought to a future Meeting of the Committee.

Resolved – that Grant Thornton’s Annual Audit Plan for 2014/15 be noted.

91. Draft Audit Committee Annual Report to Council 2014/15
(Agenda Item No. 11)

The Committee considered this report.

The Chief Internal Auditor introduced this report and summarised it for everyone.

The Chair stated that he would like to see the information relating to the Standards responsibilities included in the report to Council.

Resolved – that the form and content of the Audit Committee’s draft annual report to Full Council (attached at Appendix A to a summary covering report) be agreed. The report details the Committee’s assurance to Council at paragraphs:

- **3.1–3.5 regarding risk management**

- **3.6–3.10 regarding internal control and the Annual Governance Statement (AGS)**
- **3.11-3.14 regarding internal audit**
- **3.15-3.19 regarding external audit and governance**
- **3.20-3.25 regarding anti-fraud arrangements**
- **3.26 regarding Member standard matters**
- **3.27 regarding Treasury Management**

92. Internal Audit – Change Programme Governance Review
(Agenda Item No. 12)

The Committee considered this report.

The Chief Internal Auditor introduced this report and summarised it for everyone.

Resolved – that this Internal Audit Report on the governance framework in place within the Change Programme be noted.

93. Internal Audit Period 3 Update (Agenda Item No. 13)

The Committee considered this report.

The Chief Internal Auditor introduced this report and summarised it for everyone.

In response to a question concerning areas “Of concern”, it was explained that contacts are made with the relevant Officers and they would be expected to follow up and/or taken within the specified timescales. It was noted that a new Housing Management System was being procured and implemented. This would be reviewed once in place and is in the Audit Plan. A lot of work has been done with the Nursery Centre to address and resolve problems. Work is ongoing to improve Information Security.

The Chief Internal Auditor proposed that in future two full reports be brought to the Committee each year based on the Municipal Year (June to May) with traffic light briefings also circulated. This was agreed. There would also be encouragement to more Officers to bring reports on actions that they have taken.

Resolved – (1) that this Internal Audit periodic update report which together with Appendix A provides details of Internal Audit work for period 1st April 2014 to 28th February 2015 be noted; and

(2) that in future two full reports be brought to the Committee each year based on the Municipal Year (June to May) with traffic light briefings also circulated.

94. Appointment of Honorary Aldermen (Agenda Item No. 14)

The Committee considered this report.

It was noted that information on some of the nominees was quite brief and it was agreed that further information on these nominees be included in the report to Council.

Subject to this, it was

**Resolved – that Council be recommended to confer the title of Honorary Alderman upon:
Mark Bailey, Sean Beynon, Faruk Choudhury, Jay Jethwa, Jackie Norman and Colin Smith.**

Information Item

95. Members Conduct - Standards Item (Agenda Item No. 15)

Resolved – that the 2 no. Ombudsman final decision notices be noted.

The meeting ended at 11.50 am.

Chair