

**Bristol City Council
Minutes of the Audit Committee meeting
25th September 2015 at 9.30 am**

Present:

Councillors - Lesley Alexander, Mark Brain (Chair) Olly Mead, Eileen Means, Gary Hopkins, Jerome Thomas

Independent Members – Ken Guy, Brenda McLennan

Key officers/others in attendance:

Councillor Gollop - Deputy Mayor, Alison Mullis/Melanie Henchy-McCarthy - Chief Internal Auditors, Peter Gillet-Service Director (Finance), Rob Woollatt-Service Manager (Finance), Lorna Kellett-Senior Accountant, Tony Whitlock-Principal Accountant, Barrie Morris/Julie Masci - Grant Thornton, John Roy Group Manager – Transport Assets, Mike Allen-Finance Business Partner

1. Apologies for absence and substitutions

None received.

2. Public forum

A statement had been received in respect of concerns about a Housing Benefit claim made to Bristol City Council (a copy of the statement is held on the Audit Committee Minute Book). The Committee noted the concerns and referred the statement to the Service Director, Citizen Services for a response.

3. Declarations of interest

None were declared.

At this point of the meeting the Chair raised an issue in respect of the Independent Members of the Audit Committee proposing that their membership period be extended for two years, from April 2016 for Ken Guy and from April 2017 for Brenda McLennan, to allow for continuity of experience as there might be elected Councillors, following the May 2016 elections, without any significant experience of audit matters.

The five Council Members present voted on the proposal and there were four

in favour and one abstention (Councillor Mead had not arrived at this point) to approve the extension as proposed by the Chair.

4. Minutes of the Audit Committee held on the 10 July 2015

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

5. Action sheet

Actions were noted/updated. (A copy of the Action sheet is held on the Minute Book).

6. Whipping

None.

7. Work Programme

Resolved – that the Work Programme be noted.

8. Grant Thornton – 2014/15 audit findings report

The Audit Committee considered a report (agenda item 8) by Grant Thornton regarding its audit findings for the 2014/15 financial year and an action plan as agreed by its management team. The report highlighted the key issues arising from the audit of the Council's financial statements for the year ended 31 March 2015 and enabled Grant Thornton to discharge their responsibilities in accordance with International Standards of Auditing (ISA) 260. It was anticipated that an unqualified audit opinion on the Council's financial statements and an unqualified VFM conclusion would be issued.

Barrie Morris, the appointed auditor responsible for the City Council's audit detailed the report and expressed his thanks to the Service Director Finance and senior finance officers within the Council for their assistance. Areas of work needing improvement related to some information being received late, debt control issues and the need for debt over 90 days duration to be pro-actively managed as historically there appeared to be some lack of progress beyond this time period. Regarding financial control issues, overall this was satisfactory, but recommended that members should consider journal authorisation arrangements.

Members of the Audit Committee were invited to ask questions and arising from this the following comments were made –

- Confirmation of employee leaving dates should be the responsibility of the Service Manager, with support from Human Resources team;
- 90 day debt chase up and fewer debt 'write offs' was firmly supported;
- Suggestion of significant financial control breaches being considered by scrutiny commissions if appropriate. It was noted, however, that a Corporate Debt Project was underway, which it was anticipated would significantly reduce future instances. Reports would be made to future Audit Committee meetings detailing progress;
- Debt control procedures needed to be clear and widely disseminated;
- Asset valuation should be clear and detailed. An update to be reported to this Committee for this financial year and reported earlier in subsequent financial years;
- Provision for the Waste Management Contract would be reflected in the accounts for the current financial year although some of the information might have to be considered in closed session due to commercial considerations.

The Chair and Serice Director Finance thanked Grant Thornton for the work that had been done.

The Audit Committee unanimously agreed to accept the findings of the external auditor.

Resolved - (1) that Grant Thornton's Annual Report to those charged with Governance for 2014-15, and the action plan agreed by management, be noted;

(2) that the Letter of Representation for 2014-15 to Grant Thornton be signed.

9. (a) Statement of Accounts year ended 31 March 2015

The Audit Committee considered a report (agenda item 9a) of the Strategic Director Business Change which set out the Council's financial position as at 31 March 2015 and a summary of its income and expenditure for the year to 31 March 2015.

Resolved - that the Statement of Accounts for the year ended 31st March

2015 be approved.

(b) Grant Thornton – Value for Money report

The Audit Committee considered a report (agenda item 9b) of the Service Director (Finance) in respect of Grant Thornton's Value for Money Report 2014/15. The Committee was advised that an unqualified Value for Money Conclusion, with regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources, was expected.

Members of the Audit Committee were invited to ask questions and arising from this the following comments were made –

- The Council's sickness absence rate had remained stable and was in line with private sector levels;
- 60% of sickness absence was long term and tackling this was related to cultural issues within the organisation;
- It was considered important to set a realistic target for sickness absence and work to achieve it had a significant financial impact on the Council;
- School balances were up and it was confirmed that a management plan had been put in place to rectify this;
- Pointed out that Management of Natural Resources and Green Capital were separate items despite similarity of the description in the report. Earlier problems associated with Green Capital had been successfully resolved;
- A report would be brought to the November Audit Committee meeting giving an update of Bristol Green Capital 2015. A further report on Management of Natural Resources would be brought to a future meeting.

Resolved - that the Grant Thornton's value for money reports for 2014-15 be noted.

10. Treasury Management quarter 1 report 2015/16

The Audit Committee considered a report (agenda item 10) of the Service Director (Section 151 Officer) in respect of the quarterly update for the Council's Treasury Management function to the end of June 2015.

Resolved - that the Treasury Management quarter 1 report 2015/16 be noted.

11. MetroBus project

The Audit Committee considered a report (agenda item 11) of the Service Director (Finance) in respect of the Metrobus Project which was currently estimated to cost just over £203m and was funded jointly by a Department for Transport Grant plus £89.9m from Local Authority contributions.

Members of the Audit Committee were invited to ask questions and arising from this the following points were made –

- Costs would be finalised when the contracts for each of the three projects were signed;
- Land purchase details were not included in the report but would be made available to members;
- Cost increases of up to 4% were considered to be top end of the range for public sector projects and although there were no guarantees of no further cost increases the Project was very closely and continuously scrutinised on a daily basis;
- Design changes had helped lower costs by approximately £1.5m - £2m. The Project was likely to come within budget according to the latest estimate;
- Risks had been mitigated as much as possible regarding cost increases and a lot of staff time had been allocated to ensure this;
- Borrowing costs had not increased above normal levels as funding from other budgets and CIL had been utilised;
- Cost/benefit ratio's of the Project were continuously monitored;
- Operator charges were contractual and legally binding;
- All buses were required to meet European environmental standards;
- The cost sharing of the Project between the three neighbouring local authorities was secure and did not present an additional risk to Bristol City Council;
- Network Rail spending cuts might have an impact on the project however there was daily contact with NR to try and mitigate risks.

Resolved – that the Metrobus Project report, and progress to date, be noted.

12. Final draft of Annual Governance Statement 2014/15 and updated action plan

The Audit Committee considered a report (agenda item 12) of the Chief

Internal Auditor in respect of the final draft of the Annual Governance Statement 2014/15 and the updated Action Plan.

During debate on this item concerns were raised about the wording of the first sentence at 5.9 of the Annual Governance Statement regarding a 'free and open culture' which some members felt was open to challenge. In addition further points were raised in respect of a need for a Governance recommendation to enable more strategic scrutiny and audit in line with the Mayor's Plan. Also concern expressed about a lack of 'visibility' of a reporting framework relating to Trading Companies and that a better definition was required regarding what should be considered by the Audit Committee.

In response to a question it was confirmed that the Council had a Whistleblowing Policy in place. The Chief Internal Auditor agreed to bring a report to the Audit Committee detailing how the Policy was working.

The comments were welcomed and with regard to the 'free and open culture' point, after further discussion it was proposed and seconded that the wording be amended to read 'The Council aspires to a free and open culture and is committed to high standards of honesty.'

On being put to the vote there was unanimous agreement the wording be amended.

Resolved –

(1) That the final draft of the Annual Governance Statement 2014/15 and the updated Action Plan be noted;

(2) That the wording of the first sentence of paragraph 5.9 of the Annual Governance Statement be amended to read 'The Council aspires to a free and open culture and is committed to high standards of honesty.';

(30) That a report about the Council's Whistleblowing Policy be brought to the Audit Committee for consideration.

13. Corporate Risk Register – 6 month review

The Audit Committee considered a report (agenda item 13) of the Strategic Director Business Change in respect of the second review of the revised Corporate Risk Register since it was redeveloped in July 2014.

Members of the Audit Committee were invited to ask questions and arising from this the following points were made –

- The Audit team reviewed the Register on a six monthly basis in conjunction with Directorate's Extended Leadership teams;
- The figure of £48m budget reduction by 2020 was only an assessment at this stage and was subject to change;
- Delivering Democracy related to the election process, the word 'likely' in the Register would be removed later;
- Need to ensure that voter registration process was clear and that staff were fully aware;
- Control and mitigation appeared similar to Annual Governance Statement so a link between the two would be beneficial. Confirmed that links were already made manually. Work was ongoing about possibility of an IT led solution to enhance future link up;
- Important for the Council's reputation that openness formed part of the Corporate Risk Register process. A report on this to be brought to a future meeting of the Audit Committee.

Resolved – that, subject to the comments made, the Corporate Risk Register report be noted.

14. Appointment of Honorary Aldermen

The Audit Committee considered a report (agenda item 14) of the Democratic Services Manager to enable the Committee to decide which nominations should be referred to Full Council for consideration of Honorary Alderman status.

The Chair queried the procedure relating to Honorary Aldermen nominations and asked for clearer advice on the legal position for future nominations.

The Committee therefore agreed to consider the current nominations subject to clearer guidelines for future nominations.

On being put to the vote there were six in favour of the nominations and two abstentions.

Resolved –

That due to their significant contribution to the local community the title of Honorary Alderman be conferred upon:

- a. Neil Harrison**
- b. Barbara Janke**
- c. Alex Woodman**

and that this be recommended to Full Council accordingly.

15. Members Standard items

No items were considered

16. Information Items (for noting)

(i) Treasury Management 2014/15 Annual report

(ii) Directorate Risk Register

The meeting ended at 12.30 pm.

Chair