

DISCLAIMER

The attached Minutes are DRAFT. Whilst every effort has been made to ensure the accuracy of the information and 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

Agenda Item No. 4

Bristol City Council Minutes of the Audit Committee meeting 29th January 2016 at 9.30 am

Present:

Councillors - Lesley Alexander, Mark Brain (Chair), Olly Mead, Eileen Means, Gary Hopkins, Jerome Thomas
Independent Member(s) – Brenda McLennan, Ken Guy

Key officers/others in attendance:

Councillor Gollop - Deputy Mayor, Alison Mullis/Melanie Henchy-McCarthy - Chief Internal Auditors, Andrea Hobbs, Investigations Manager, Tony Whitlock-Principal Accountant, Barrie Morris - Grant Thornton, Pamela Evans - BDO Accountants, Sheralynn McCarthy - Revenue and Benefits Manager, Matthew Kendall – Benefits Manager.

1. Apologies for absence and substitutions

None.

2. Public forum

None received.

3. Declarations of interest

Councillor Gollop reminded the Committee that, in respect of agenda item 8, he and the two Independent Members of the Committee, Brenda McLennan, Ken Guy, were members of the Shareholder Group.

4. (a) Minutes of the Audit Committee held on the 27 November 2015

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

4. (b) At this point of the meeting the Chair reminded Members that this was the last meeting to be attended by its outgoing external auditor, Grant Thornton, and took the opportunity to express the Committee's sincere thanks for its work, which had always been positive and appropriate and in some cases above and beyond what was required.

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

The Committee agreed to include Audit Effectiveness Review and Information Security Strategy in the Work Programme to be considered at the 11 March, 2016 meeting.

Resolved – that, subject to the update, the Work Programme be noted.

8. Governance of Council Interests in Companies - A Code of Practice

The Audit Committee considered a report (agenda item 8) of the Interim Service Director, Legal and Democratic Services regarding the revised approach to the Governance of the Council's subsidiary companies and, in particular, the part that the introduction of a *Bristol City Council Code of Practice for the Governance of Council Interests in Companies* has in promoting and ensuring good governance in relation to those company interests.

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

1. Decisions taken, as a member of the Company (BCC as shareholder), would be decided by the elected Mayor or delegated by the Mayor to the Cabinet or relevant senior officer and would be subject to key decision and access to information rules, call-in and review by the Overview and Scrutiny

- Committee. This would have operated in a similar way if the Council had retained the Leader of Council structure;
2. The Energy Company would not as a priority be looking to maximise profits as there would be a strong social element to its work;
 3. Although the Mayor held 95% of the Council's executive decision making power there was a robust scrutiny and audit function within the Council that would be able to ask for and obtain any relevant information required. There would also be an audit function with the Company itself which would work closely with the Council's Audit Committee to ensure openness and transparency;
 4. With regard to effective scrutiny the Centre for Public Scrutiny had been involved to some degree already and it was anticipated that further work would be done by the Centre on this;
 5. Balancing decision taking with risks would be undertaken in a similar way to what already happened with the Council's day to day work regarding investments and funds. The Company's Terms of Reference would also provide a mechanism of evaluating risks versus opportunities;
 6. Information about the Company's activities would be provided by the Shareholder Group and key control provided by the Business Plan which would be approved by the Council;
 7. Dashboard reports/information would be seen at least quarterly by the Audit Committee to evaluate performance and risks would be routinely monitored;
 8. Selection of the Chair of Overview and Scrutiny Committee should be from as wide a source as possible to avoid the perception of political bias, the Legal Services team would be asked to look into this in order to make the necessary constitutional adjustments to enable this;
 9. Adherence to the Business Plan would be monitored by the Council's Audit Committee and the Company's internal Audit Committee, relevant council officers would also play a significant role in this;
 10. Opposition Councillors role in the process would be considered by the Party Group Leaders in due course;
 11. The Council's internal audit would also utilise existing measures to audit the companies further and the Holding Company could be requested to use this resource.

Resolved – that, subject to the comments made, the roles of the Code of Practice, in relation to the Council's own Code of Corporate Governance, the annual governance statement process and the Audit Committee of Bristol Holding Limited be noted.

9. Customer Relations update on effectiveness of new system

The Audit Committee considered a report of the Service Director, Citizen Services (agenda item 9) outlining the Council's new Complaints & Feedback and Freedom of Information requests (FOI) arrangements.

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

1. Requests for FOI had increased by 150% since April 2015;
2. The Complaints process was now simpler and the response rate within the target range was now 75% compared to 50% previously;

The Committee welcomed the report and requested that a further progress report be brought back in one year's time for further consideration.

Resolved - that the report be noted and that a further progress report be brought back in one year's time for further consideration.

10. Grant Thornton - Grant Certification Letter 2014-15

The Audit Committee considered a report (agenda item 8) of the Service Director (Finance) regarding Grant Thornton's Certification Letter 2014-15 which summarised the key issues arising from the work that Grant Thornton carried out on Grant claims and returns at Bristol City Council during 2014-15 under the Public Sector Audit Appointments Ltd certification arrangements.

The Committee was advised that the Certification of the Council's Housing Benefits Return for 2014/15 had not been straightforward due to errors that had been identified for a number of reasons and that this had led in turn to not meeting the deadline of 30 November 2015 set by the Department for Work & Pensions for completion of the audit work.

The Revenue and Benefits Manager emphasised the concerns that had been felt due to the late return and confirmed that a 'health check' had since been commissioned to examine the way the Council worked to avoid a recurrence. One of the exacerbating factors related to the introduction of the Universal Credit process although the backlog from that had now been cleared.

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

1. Overpayments of housing benefit were a threat to the Council and underpayments were a threat to the customer;
2. The real challenge was how the Council dealt with the errors that had been made;

3. Lack of resources had a part to play on the errors that had been made;
4. Important that the Council's internal auditors investigate the issues, regarding what went wrong, and ensure that actions to remedy the situation had been completed and that this be reported back to the Audit Committee. The Internal Auditor confirmed that a report would be presented to the Committee once the work had been completed;
5. A Member emphasised that this matter was a historical issue and was not a new problem however it was important that robust monitoring was carried out on an ongoing basis;
6. Members were informed that there might be some 'overhang' following on into next year despite the improvements that had been made;
7. The Revenue and Benefits Manager added that additional resource had now been provided and that following March 2016 the improvements made should become more noticeable.

Resolved - that, subject to the comments made, the report be noted.

11. Treasury Management Strategy Statement 2016/17 and Treasury Management Practices

The Audit Committee considered a report of the Strategic Director Business Change (agenda item 11) regarding the approval of the Treasury Management Policy Statement and the Treasury Management Practices and Associated Schedules and how to achieve the policies and objectives set out in the Treasury Management Policy Statement and how the Council would manage and control those activities.

Resolved –

- 1. That the Council be recommended to approve the Treasury Management Strategy Statement incorporating the Prudential Indicators and MRP Policy Statement;**
- 2. That the Treasury Management Policy Statement and the Treasury Management Practices and Associated Schedules be approved.**

12. Annual Fraud and Error update

The Audit Committee considered a report of the Chief Internal Auditor (agenda item 12) about the effectiveness of counter fraud and error arrangements within Bristol City Council and the Council's increased focus on fraud prevention.

Resolved – that –

1. **The counter-fraud and error work being undertaken by the Council be noted;**
2. **The assessment of the Council's arrangements for counter fraud work against best practice checklists be noted;**
3. **The suggested amendments to the Anti-Fraud and Corruption Strategy and Policy be approved.**

13. Corporate Risk Register - six month review

The Audit Committee considered a report of the Strategic Director Business Change (agenda item 13) about the third full 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 or clarified –

1. Not all aspects had been covered eg, devolution. Internal Auditor to take comments back to the risk owners to get answers;
2. Not always possible to quantify all risks due to fast pace of change but it was hoped that these would become clearer in the weeks and months to come;
3. Agreed that reference to 'Deputy Mayor' (page 243) should be replaced by 'Assistant Mayor responsible for financial matters' due to possible changes after the Mayoral/Council elections;

Resolved – that, subject to the amendment detailed at 3 above, the revised Corporate Risk Register be endorsed.

14. Annual Governance Statement Action Plan

The Audit Committee considered a report of the Chief Internal Auditor (agenda item 14) about the third update to the Annual Governance Statement 2015/16.

The Committee noted that of the nine matters arising in the Action Plan, Two were recommended for removal, four were considered to have a descending level of governance risk, two whilst having progress had not progressed enough to reduce the risk and as such remained at the same level of governance risk and one had an increased level of governance risk.

In order to address one concern raised by a member in respect of the Metrobus project the Internal Auditor emphasized that risks would continue to be monitored, in addition agreed to discuss this issue further outside of the meeting. The Internal Auditor confirmed that a further update report would be submitted to the 29 April meeting of the Audit Committee.

Resolved – that the update report be noted.

15. Change Programme- Financial Benefits Realisation/Governance Review

The Audit Committee considered a report of the Chief Internal Auditor (agenda item 15) on the governance framework in place within the Change Programme Financial Benefits Realisation.

Resolved – that the report be noted.

16. Applications for dispensations

The Audit Committee considered a report of the Interim Service Director, Legal and Democratic Services (agenda item 16) the granting of dispensations to the elected Mayor and councillors to enable them to participate in discussion, vote on matters in relation to the civic budget 2016-17 and the setting of the council tax, at the Council Budget meeting on 16 February, 2016.

Resolved – that dispensations to the elected Mayor and Councillors to enable them to participate in discussion, vote on matters in relation to the civic budget 2016-17 and the setting of the council tax, at the Council Budget meeting on 16 February, 2016 be granted. Such dispensation to be granted for this meeting only.

17. Criteria for the Appointment of Honorary Aldermen

The Audit Committee considered a report of the Interim Service Director, Legal and Democratic Services (agenda item 17) reviewing the existing criteria for the appointment of Honorary Aldermen following a request at a previous meeting of the Audit Committee that there be more specific guidance to be applied in respect of future nominations.

Resolved – that the criteria set out below be recommended for approval by full Council –

An individual will be eligible for nomination and appointment to the role of Honorary Alderman provided that he/she is no longer a serving Councillor with Bristol City Council and has provided eminent service to the Council throughout a long and distinguished period of public service by either:

- a. **Serving as a Bristol City Councillor for an aggregate total period of at least 10 years:**
or
- b. **Holding a significant position of public responsibility with Bristol City Council as either:**
- **Lord Mayor;**
 - **Elected Mayor;**
 - **Deputy or Assistant Mayor;**
 - **Leader of the Council;**
 - **Executive Member;**
 - **Any other position attracting the payment of a Special Responsibility Allowance under the Council's Approved Members Allowance Scheme (excluding attendance at Appeals Committee).**

Information items

18. Members Conduct - Standards item

Item noted.

19. Place Directorate Risk Register

Item noted.

The meeting ended at 12.00 pm.

Chair