

Audit Committee

Agenda



Date: Monday, 25 January 2021

Time: 2.00 pm

Venue: Remote Access

Distribution:

Councillors: Nicola Bowden-Jones, Chris Jackson, Olly Mead, Liz Radford, Clive Stevens, Tim Kent, Adebola Adebayo, Simon Cookson and Mark Brain

Copies to: Simba Muzarurwi (Chief Internal Auditor), Mike Jackson (Chief Executive), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Head of Legal Service), Alison Mullis, Tony Whitlock, Lucy Fleming (Head of Democratic Engagement) and Michael Pilcher

Issued by: Jeremy Livitt, Democratic Services

City Hall, PO Box 3167, Bristol BS3 9FS

E-mail: democratic.services@bristol.gov.uk

Date: Friday, 15 January 2021



Agenda

6. Public Forum

Up to 30 minutes is allowed for this item

(Pages 3 - 12)

Any member of the public or Councillor may participate in Public Forum. The detailed arrangements for so doing are set out in the Public Information Sheet at the back of this agenda. Public Forum items should be emailed to democratic.services@bristol.gov.uk and please note that the following deadlines will apply in relation to this meeting:-

Questions - Written questions must be received 3 clear working days prior to the meeting. For this meeting, this means that your question(s) must be received in this office at the latest by 5 pm on 19 January 2021.

Petitions and Statements - Petitions and statements must be received on the working day prior to the meeting. For this meeting this means that your submission must be received in this office at the latest by 12.00 noon on 22 January 2021.



Public Forum



Audit Committee

2pm on Monday 25th January 2021

1. Members of the Audit Committee

Statements and Questions (Questions marked with both S and Q, Statements with an S only) – P next to the name indicates that they have also requested to speak

Number	Name	Title
S1	Suzanne Audrey - P	Review of Governance Arrangements for Bristol City Council's Subsidiaries'.
QS2	Suzanne Audrey - P	Review of Governance Arrangements for Bristol City Council's Subsidiaries
QS3	Suzanne Audrey - P	Bristol City Council's legal and financial procedures relating to the content and publication of advertorials about the elected Mayor and his manifesto
S4	Councillor Geoffrey Gollop	Review of Governance Arrangements
S5	Councillor Clive Stevens	Agenda 9 - Grant Thornton's Value for Money Report



S1 - Suzanne Audrey

My statement is to stress the following important extracts from the 'Review of Governance Arrangements for Bristol City Council's Subsidiaries'.

During 2019/20 the Council's Audit Committee had not always been sufficiently sighted on developments and information relating to the governance arrangements and risks in relation to BE. The Audit Committee is responsible for providing independent assurance on the governance and risk management framework and in order to discharge their responsibilities effectively, Audit Committee members should have had a closer involvement with the issues relating to the Council's investment in BE during the year.

The situation has been compounded by the fact that some information and decisions, such as decisions made by the Shareholder Representative (Deputy Mayor), are not routinely published. In our opinion and based on practice elsewhere, we consider that these decisions could be published by the Council. This approach, which restricts access to information, some of which does not need to be confidential, is creating concerns that the Council is not as open and transparent as it could be and should now be addressed within its governance arrangements.

QS2

Background--

The following extracts from the 'Review of Governance Arrangements for Bristol City Council's Subsidiaries' relate to the ability of members of the Audit Committee to discharge their responsibilities effectively:

Concerns have been raised relating to access to confidential information, because a proportion of papers were viewed to be commercially sensitive and, as such, could not be easily viewed. This has since been discussed by the Audit Committee and a response provided by the Monitoring Officer as to the legal basis on which the Audit Committee have access to information.

In order to discharge their responsibilities, the Audit Committee should have sight of issues relating to the Council's governance arrangements. We recognise that information which is commercially sensitive cannot be publicly available and access needs to be restricted, but the Council needs to find a way to balance the legal and commercial sensitivities to enable Audit Committee to operate effectively.

Recommendation 9: The Council should develop a mechanism to enable the Audit Committee to be sighted on potential exempt issues within their role and responsibilities and legal duties.

Management response

In the Access to Information report presented to the November 2020 Audit Committee, it was acknowledged that the Audit Committee has a responsibility to ensure that key representations to the external auditors as part of the external audit are accurate and complete in line with ISA260 and other standards. The Audit Committee should be able to access such information, including exempt information, that is reasonably necessary for them to discharge this duty. The report also provided the Audit Committee with an overview of the legal framework relating to access to information by Members of the Council, including access to exempt information.

We will continue to ensure that Audit Committee have the ability to see exempt information which is reasonably necessary for them to carry out their legal duties.

Responsible Officer - Director: Legal & Democratic Services

Timing – Ongoing

Question

I may have misunderstood but the Management response to concerns about access to information seems to 'push back' on the Grant Thornton recommendation and implies the Audit Committee will continue to be given the same access to information as was previously considered necessary by the Monitoring Officer.

So, my question is: **What specific changes have been made, in the light of the Bristol Energy experience, to balance the legal and commercial sensitivities and enable Audit Committee to operate effectively?**

A:

The management response confirms that part of the Committee's assurance role is the responsibility to ensure that key representations to the external auditors as part of the external

audit are accurate and complete in line with ISA260 and other standards, and that the Audit Committee should be able to access such information, including exempt information, which is reasonably necessary for them to discharge this duty.

QS3

Background

There have been a number of 'advertorial' articles about the elected Mayor in newspapers, and there are concerns that some may have been paid for using Bristol City Council funds. This does not seem good value for money for council tax payers. These advertorials are not free articles written by journalists after being sent a press release, but unedited pieces promoting the elected Mayor, his manifesto and/or his political party. I can understand that politicians want to promote themselves and their party, but it was my understanding that such promotion should be paid for from party funds. I appreciate this may seem a relatively small amount of money when compared to the expenditure on Bristol Energy, but relatively small amounts of money can make a big difference at local level.

Question

Please can you clarify Bristol City Council's legal and financial procedures relating to the content and publication of advertorials about the elected Mayor and his manifesto?

A:

The Council regularly pays for advertising space in local publications and follows national regulations for local authority advertising campaigns.

The only advertorial about the elected Mayor which has been paid for using Bristol City Council funds was the Mayor's non-political Christmas and New Year message of thanks to everyone in Bristol who has done their part during the pandemic, including hidden heroes in the NHS, charities and community groups – found here: <https://www.bristolpost.co.uk/special-features/mayor-marvins-christmas-new-year-4823354>.

The contract for this specific advertorial (value £5,250) was awarded in accordance with the council's procurement rules and the Monitoring Officer was made aware of the expenditure.

S4

Audit Committee 25/1/21

Public Forum Statement

Review of Governance arrangements

This report is the most critical report I have ever read by an auditor. It highlights a history of poor decision making and poor governance. It is vital that this report is followed up with effective actions to prevent such abuse in the future and prevent such cavalier risks being taken with tax payers money.

The issue of the Audit Committee not being sighted (**page 13**) has been a concern of members for at least the last year. Even now as we consider this report the policy of not sighting the audit committee continues.

We will be asked to approve the authorities accounts in due course, but there is no attempt to explain to audit committee or any other councillors the impact of the loss arising from Bristol Energy.

The accounts for the company to 31 March 2020 have now been filed at Companies House but members have had no explanation of the figures or quantification of the loss, or how much more loss will have to be reflected in the 2021 accounts for Bristol Energy.

In a move that I can only see as designed to conceal information, the Bristol Holdings accounts that were signed on 10th November have not been filed at Companies House and were only made available to members in the OSM papers published for 25th January meeting. The Bristol Energy accounts approved on 17th December, have been filed with Companies House, but have not been shared with OSM or audit committee. (as an aside, I would question why the holding company accounts were signed off 6 weeks before the subsidiary)

Also, on **page 13 - conflict of interest**. GT do not refer to one significant potential conflict. The Officer responsible for the Council owned companies is also the Monitoring Officer. The Monitoring Officer should not be responsible for potentially contentious decisions where he might also be called upon to take an objective view on issues that are fundamental to the Council. The Companies surely fall into that category.

As an example of members not being sighted, at December Council, Cllr Kent asked the Mayor about the consideration for the sale of Bristol Energy customers. The Mayor stated categorically on the public record that the sale proceeds had not been received saying "this hasn't landed in our bank account yet". My understanding is that the proceeds had been received and used to pay the ROC liability and other liabilities following on from the sale. I raised my concern about the seemingly inaccurate statement with the Monitoring officer who advised that I should take this up directly with the Mayor."

Page 12 - shareholder group. A check on the attendance records would indicate that Cllr.Cheney would be the only member of cabinet to know in full what was discussed at shareholder group.

On **page 8 - the shareholder not relaying the risk to cabinet.** It would be usual for the Chief Executive, the Monitoring Officer and the Chief Financial Officer to attend the Shareholder group meeting, so they could and should have reported the risks to cabinet.

Ongoing issues regarding governance and other Companies

I have regularly raised the **Mayor's Forward** plan as an issue. Although senior officers acknowledge the importance of this and have pledged to improve it, to date there has been no significant change. Scrutiny has little notice of major items coming to cabinet and is only allowed to see reports 5 working days before the cabinet meeting. On incredibly complex issues, this is insufficient time to digest information and draft questions, so the scrutiny becomes inevitably superficial.

OSM is trying to scrutinise a whole series of decisions, which are subject to the same short notice and flawed decision-making process. This would include City leap, Heat Networks, Goram Homes and the facilities management transfer to Bristol Waste. Audit Committee must demand robust recommendations and regularly monitor implementation if The Council is to avoid making further very costly decisions.

Geoff Gollop

22/1/21

S5

Statement from Cllr Clive Stevens (Vice-Chair of Audit), to Audit Committee for 25/1/21 Agenda 9 - Grant Thornton's Value for Money Report

Dear Audit Committee,

I despair. This Value For Money report from Grant Thornton is very good and yet the answers from The Council show they have learned nothing. It makes me think this type of problem could happen again. And next time it won't be a mere £50 million. Why? Because the Mayor has a strategy of putting more of the Council's assets into businesses like Goram Homes, City Leap and Bristol Waste Company which means that Audit Committee's ability assess the Value for taxpayers' Money will be even more important. We need to be able to assess whether these ventures are delivering social value and economic (monetary) value. That requires good Governance and proper arrangements for Value For Money. These are Audit Committee's responsibility, so we need to see what's going on. But parts of the Council are obsessed with secrecy.

Let's recap part of the Bristol Energy story.

-2015 the Business Plan was approved by the then Mayor, the due diligence was exempt, only seen by a few. Were those Councillors trained to appreciate the risks and complexities of the energy market? The five year target was to deliver 12% return by 2021. It has delivered 12% if you ignore the minus sign.

- The Governance we were told was good (in that 2015 due diligence).

- Moving on, this Grant Thornton report shows the Governance; a Shareholder Group (p50) with only one person on it who might be able to add the benefit of scrutiny. The Chair of Overview Scrutiny. But as an Observer, he has no say and is tied up in knots by confidentiality which stifles good overview scrutiny.

- We also learn that the exempt reports to Cabinet had flawed risk analysis (p46). Audit are responsible for monitoring the correct working of the Council's risk system. We didn't know it wasn't working, we failed. But only because this information was exempt.

(I'm adding that to the already long list of issues compiled by Audit Committee, which looked at some of the breakdown in trust between officers and Members in certain situations).

- Audit Committee meeting of 16/3/20. I chaired that as Mark was self-isolating. The agenda item was Bristol Energy. We were discussing governance and the first Ernst Young report. This Grant Thornton report in front of us, fails to note one important thing about that meeting, I guess it wasn't minuted. But fortunately the episode is written up in a book. I quote from page 115, I am reported as saying, "I am totally not re-assured about this. I have no confidence in you at all."

- But worse and we discovered later, we weren't even informed that the old Managing Director had left Bristol Energy and a new Managing Director was starting the same day as our meeting. That's surely a governance issue.

And now I come to today and the Council's proposed actions:

-Recommendation 3 (about the flawed risk analysis). The Council doesn't mention that Audit should see these to verify that the risk system is working.

-And recommendation 9 (about Audit's access to information) says, "we will continue...." So they will continue to not let us see what we need to see to ensure Value For Money arrangements.

It seems this passion for secrecy continues and it continues to cost the Bristol tax payer millions. On one hand the external auditors are suggesting more openness and access to information for Audit Committee so we can fulfil our Value For Money responsibilities as set out by the National Audit Office guidance of Nov 2017. I agree with that.

And on the other hand we are being told by Officers that it is unlawful to let Audit Committee see some of these documents due to the Local Government Act 1972 Schedule 12a. It is not in the public interest we are told. I disagree.

Assuming we are being told the truth from both sides then the way to reconcile these two divergent recommendations is to conclude that there is a conflict between the 1972 Law and the 2017 National Audit Office guidance. This wouldn't surprise me.

I will therefore look for help from our Monitoring Officer to write to national bodies to ask if they recognise this discrepancy too.