

Bristol City Council

Minutes of the Audit Committee

23 June 2017 at 2.00 pm



Committee Membership:-

Councillor Barry Clark; Councillor Jos Clark; Councillor Olly Mead; Councillor Steve Pearce; Councillor Liz Radford; Councillor Afzal Shah; Councillor Clive Stevens.
Independent Member(s): 2 x vacancies

Members Present:-

Councillor Jos Clark; Councillor Olly Mead; Councillor Liz Radford; Councillor Afzal Shah; Councillor Clive Stevens; Councillor Donald Alexander (substitute member).

Also in attendance:-

Councillor Anna Keen; Councillor Geoff Gollop.

Officers in Attendance:-

Alison Mullis/Melanie Henchy-McCarthy, Head of Internal Audit; Jonathan Idle, Interim Chief Internal Auditor; Greg Rubins, BDO External Auditor; Denise Murray, Service Director - Finance; Chris Holme, Interim Head of Service - Corporate Finance; Tony Whitlock, Corporate Finance; Nancy Rollason, Head of Service, Legal & Democratic Services; Steve Gregory, Democratic Services Officer

1. Election of Chair 2017/18

Councillor Jos Clark was elected Chair for the 2017/18 municipal year.

2. Election of Vice-Chair 2017/18

Councillor Clive Stevens was elected Vice Chair for the 2017/18 municipal year.

3. Welcome, Introductions, Apologies and Safety Information

Apologies were received from Councillors Barry Clark and Steve Pearce. Councillor Steve Pearce was substituted by Councillor Donald Alexander, Councillor Liz Radford stated that she would have to leave the meeting at approximately 3.10 pm due to another appointment. Councillor Afzal Shah on arrival gave



apologies for attending the meeting slightly late due to other commitments.

Members noted the resignation of Ken Guy Independent Member and gave their thanks and gratitude for Ken's contribution whilst serving on the Committee.

4. Membership of the Committee

The Membership of the Audit Committee was noted as –

Councillor Barry Clark; Councillor Jos Clark; Councillor Olly Mead; Councillor Steve Pearce; Councillor Liz Radford; Councillor Afzal Shah; Councillor Clive Stevens.

Independent Member(s): 2 x vacancy

With regard to the Independent Member vacancies, the Committee was informed that the process for appointments had been suspended pending the outcome of the review of the Council's Constitution.

5. Terms of Reference

The Terms of Reference as approved at Full Council on 23 May, 2017, were noted. Members were informed that the ToR's might be subject to change pending the review of the Council's Constitution.

6. Dates and times of meetings agreed as below, all starting at 2 pm on a Thursday

2017	2018
20 July	25 January
21 September	22 March
23 November	24 May

7. Declarations of Interest

Councillor Radford declared an interest in agenda item 14 draft Statement of Accounts 2016/17 citing that her husband worked for the Bristol Port Company.

8. Public Forum

None received.

9. Minutes of 24 March 2017



The Minutes of the 24 March 2017 were agreed as a correct record.

10. Action sheet - 24 March 2017

The Action sheet was noted. The Committee was also advised –

1. That training for new audit committee members was ongoing;
2. That the report about the Disclosure and Barring Service would be submitted to the July Audit Committee.

11. Work Programme

The Work Programme was noted. The Committee was also advised –

1. That Governance issues would be reported to the Committee at its September together with the final 2016/17 Annual Governance Statement and Action Plan, with updates on the progress of the Action Plan to come to every meeting thereafter;
2. Risk registers – frequency of reporting would be considered as part of the review of the Risk Management policy and strategy.

12. Internal Audit Annual report 2016/17

The Committee considered a report providing details of the work completed by Internal Audit during 2016/17 which included the Head of Internal Audit's opinion on the control, risk and governance environment.

The Committee received a presentation which explained the need and timing of the Internal Audit Annual report as -

- Meeting the Public Sector Internal Audit Standards (PSIAS)
- Annual report timed to support the Annual Governance Statement and included:
 - Annual opinion on the overall adequacy and effectiveness of governance, risk and control;
 - Summary of the work done from which the opinion is derived;
 - Disclosure of qualifications to the opinion;
 - Performance of IA;

During subsequent debate the following points were made or clarified –

1. Contract monitoring would continue to be closely monitored and feedback would be provided;
2. Areas of concern had been and would continue to be closely monitored with openness and transparency being a core theme;



3. Savings, both notional and recoverable arising from counter fraud activity in 2016/17 exceeded £4.5m. It was acknowledged that it was likely that such a level of savings could be enhanced dependent upon the level and utilisation of resources..;
4. Each directorate had risk registers which were regularly monitored and reported to the relevant scrutiny commissions quarterly. Future reports would be subject to a strategy review which would look at the escalation process, and give information on trends in risks e.g., where there were red flags;
5. Regarding red flags indicated for 'Assurance Opinion Work', members were informed that service 'owners' had given assurances that these areas would improve, this would be backed up by a 'follow up' process and further report back to the Committee to ensure improvement;
6. Benchmarking with other council's was discussed to determine if there was parity, in the provision of services/work;
7. A council wide issue regarding efficiency of financial savings from redundancy was queried. and it was agreed that the Human Resources Committee be asked to look into this matter.

Resolved – that the Internal Audit Annual report 2016/17 be noted.

13. Draft Annual Governance Statement

The Committee considered a report on the draft Annual Governance Statement and accompanying Action Plan, which sought to ensure the Committee that it was a fair reflection of the internal control and governance environment during 2016/17 and to date. Once finalised the Statement would be signed by the Mayor and the Chief Executive.

The Committee also considered an associated supplementary report regarding the first "Significant Governance Issue" within the Annual Governance Statement which related to the findings from the Bundred report with associated recommendations and the Council's response.

The Council's Deputy Monitoring officer made the following statement in respect of the Bundred report -
'A report relating to the Bundred review will be taken to full Council next Tuesday.

The annual governance statement provided to Audit Committee gives Members an assessment of the governance issues the authority has had and is dealing with and is consistent with the Bundred review. The action plan attached to the report to Audit Committee and Full Council provides Members with the current and future steps being taken to improve governance, financial regulation and leadership within the authority.

The focus of the debate at Audit Committee and full Council should therefore be whether the action plan provides Members with sufficient assurance of on-going improvements in this regard.

During the debate itself, care must be taken not to bring the Council into disrepute (see Code of Conduct for Members and the Officer/Member protocol attached) and, in particular, defamatory comments must not be made as these may affect the reputation of Members and Officers.



This could put the Council at risk of a legal claim and potentially Councillors at risk of a claim against them personally.

By way of information, the further review previously announced by the Mayor is being dealt with by the Chief Executive as Head of Paid Service.

The resulting report is likely to contain personal data or relate to employee matters that the Head of Paid Service is responsible for so will not be disclosable but dealt with in accordance with employment law and the Council's own policies and procedures.'

The Committee received a presentation on the Annual Governance Statement which emphasised that the City Council was required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements had taken place. Significant issues emphasised were -

- the requirement for the Annual Governance Statement;
- the more robust review process undertaken to enable the Statement to be made;
- the draft Annual Governance Statement together with an action plan which detailed the most significant control and governance issues identified during 2016/17 and the actions for improvement in those areas.

During subsequent debate the following points were made or clarified –

1. A summary check sheet in respect of Governance performance to be submitted to every Audit Committee meeting from September 2017;
2. Regarding improvements made in 2016/17 reference to the posts of Chief Executive, Section 151 Officer and Monitoring Officer should include that the posts were now permanent;
3. The Vice Chair of the Committee expressed an interest in attending a Delivery Executive meeting to understand better how they work;
4. Members endorsed the format of the Annual Governance Statement as a more “user-friendly” document.

Supplementary report

After a Q&A session the message arising from the debate was that the Council needed to respond to the findings of the Bundred report with particular emphasis on

- strong governance arrangements;
- clear ownership and accountability of savings programmes;
- clarity of what constituted an acceptable business case;
- building on improvements in the quality of reporting and document management;
- improving the quality of the Finance function including the modernisation of its role;
- ensure more timely reporting of budget monitoring information.

Resolved –



1. **That the draft Annual Governance Statement and accompanying Action Plan be approved as a fair reflection of the internal control and governance environment during 2016/17, and to date, and once finalised the Statement be signed by the Mayor and the Chief Executive;**
2. **That the first “Significant Governance Issue” within the Annual Governance Statement relating to the findings from the Bundred report be noted.**

(Councillor Radford left the meeting at this point)

(Councillor Shah attended the meeting at this point)

14. Draft Statement of Accounts 2016/17

The Committee considered a report about the Statement of Accounts which set out the Council’s financial position as at 31 March 2017 and a summary of its income and expenditure for the year to 31 March 2017. Members were advised that the financial statements demonstrated the financial accountability and stewardship of the Council’s financial position.

After Q&A session and during subsequent debate the following points were made or clarified –

1. A narrative would be included in the Statement to clarify the position relating to the surplus money arising from council housing revaluation;
2. Accounts were becoming increasingly difficult to understand so it was agreed that a simplified template be produced that would enable greater clarity. The external auditor along with officer and councillor involvement would pursue this.

Resolved – that the draft Statement of Accounts be noted.

15. External Audit update

The Committee considered a report in respect of the External Auditors (BDO) progress report for 2016/17. This updated the Audit Planning report presented to the Audit Committee on 24 March 2017. The report set out a revised assessment of the key risks identified in the previous report including an update of the estimated dates for completion of the Audit of the financial statements.

Resolved – that the External Audit update be noted.

16. Audit Committee Annual report 2016/17

The Committee considered a report regarding the Committee’s activities during the year and its oversight of the Assurance and Risk Management, and Governance Frameworks within which the Council operated.



During consideration of this report, attention focussed on the issue of how the committee added value and independent members for the Audit Committee, particularly the proposal to have an independent member as Chair of the Audit Committee. Members were informed that the process for appointments had been suspended pending the outcome of the review of the Council's Constitution which would be submitted to the full Council meeting on 18 July. Members of the Audit Committee expressed their desire to comment on this and asked that sufficient time be allowed for their views to be included.

The Deputy Monitoring Officer and Section 151 officer agreed to circulate relevant information to members to enable their full participation.

Resolved – that, subject to the above, the Audit Committee Annual report 2016/17 be approved.

Meeting ended at 4.32 pm

CHAIR _____

