

# Bristol City Council

## Minutes of the Audit Committee

29 July 2019 at 2.00 pm



### **Members Present:-**

**Councillors:** Mark Brain, Chris Jackson, Olly Mead, Harriet Clough, Clive Stevens, Geoff Gollop (Substitute for Liz Radford)

Independent Members - Adebola Adebayo and Simon Cookson

### **Officers in Attendance:-**

Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Service Manager Legal), Melanie Henchy-McCarthy and Alison Mullis

## **1. Welcome, Introductions and Safety Information**

These were done. Apologies received from Councillor Radford with Councillor Gollop attending as substitute. The Committee noted that Councillor Bowden-Jones was not in attendance.

## **2. Declarations of Interest**

None declared.

## **3. Minutes of Previous Meeting**

The minutes of the last meeting were agreed as a correct record and it was therefore:-

**Resolved – That the minutes of 28 May 2019 be agreed as a correct record and signed by the Chair.**

## **4. Action sheet**



The following was noted:-

1. That the request at the last meeting for the Glossary to precede the Statement of Accounts had been omitted from the Action Sheet. It would therefore be included in the Actions for this meeting;
2. Action 9 – One more response had been received after the survey was recirculated;
3. The training programme had been revised and additional training would be provided by CIPFA;
4. A quarterly review risk report had been built in to the Work Programme to align the committees programme with the requirements of the risk management policy.

## **5. Public Forum**

It was agreed that Public Forum items be heard preceding the item on the agenda they referred to.

## **6. Work Programme**

The Work Programme was noted.

## **7. Audit Progress Report**

The Committee heard a statement from Councillor Clive Stevens and noted the statement submitted by Councillor Jerome Thomas.

The representative from Grant Thornton made the following points by way of introduction:-

1. This was a report comparing progress against the audit plan for delivering the External Audit opinion on the finance statements and value for money assessment in the 2018/19 financial year;
2. As previously reported, an extended timetable for completion of the 2018/19 audit had been agreed and this would now take place at the Audit Committee on 30 September 2019;
3. Since this report was completed work had continued to progress and the Group and Companies' audits were now finalised;
4. Bristol Energy had carried out an internal valuation. This was reviewed and it was concluded that their methodology was acceptable;
5. The implications of the McCloud/Sergeant ruling regarding pensions were being assessed by a BCC actuary. Once received the audit report would be updated to reflect the additional liability.

The following points arose from discussion:-

1. Computer software was used to review journal entries and this was a risk based approach due to the vast quantity (300,000 last year). The risk was that money could be moved fraudulently;



2. Councillor Gollop expressed concern regarding the journals and that systems should be in place so that the journal was approved by someone else other than the originator. GT replied that it was for management to decide the level of risk and to balance the day to day financial risk with the policy;
3. Councillor Stevens asked whether GT had seen any guidance on whether pension funds should be disinvesting from fossil fuel investments. GT agreed to report back on this matter;
4. It was noted that BDO had not issued their opinion in September 2018 so GT were not able to review the file until BDO had completed their statutory responsibility. Councillor Gollop observed that BDO could have been more co-operative as the accounts were practically complete.

**Resolved – That the Audit Progress report be noted.**

## **8. Annual Governance Statement Tracker**

The Director – Finance introduced the report and the following points were noted:-

1. The report was tracking the AGS 17/18 action plan and the 16/17 outstanding actions;
2. Since the previous report to Committee in January 2019 all outstanding actions relating to the Bundred review have been implemented;
3. Progress on the 2017/18 AGS tracker showed that two had been transferred to the LGA Peer review action plan to avoid duplication. Eight of the remaining eleven had been implemented and three required a programmed approach and were not therefore finalised.

The following points arose from discussion:-

1. Councillor Stevens congratulated officers on work done to date and in particular on the Business Plans but observed that there was still work to be done regarding openness and transparency in relation to Items 4 and 8 of the Bundred Actions. The Chair responded that BCC was more transparent than ever before and there was a commitment from senior officers in this regard. The Director – Finance added that improvements were continuous and constructive comments were welcomed;
2. Councillor Mead observed that financial reporting was much improved and access to information was far easier;
3. Simon Cookson proposed that a further Internal Audit of the Bundred implemented recommendations might be undertaken in order to be assured that they were working whilst recognising things would take time to embed. He suggested that twenty actions be reviewed at the end of the year and this was agreed. Following further discussion, it was determined that the Internal Audit plans covered many of the relevant areas referred to in the Bundred tracker and where this is the case, Internal Audit should highlight that in their reports.

**Resolved – That the progress made to date against the AGS action plan for 2017/18 be noted.**

## **9. Final Annual Governance Statement 2018/19**



The Deputy Chief Internal Auditor made the following points by way of introduction:-

1. The draft AGS was presented to the Audit Committee in May and has been amended with broadly minor changes and to reflect some comments from GT;
2. The Committee was asked to agree the AGS for 2018/19 as a fair reflection of the internal control and governance environment during 2018/19.

The following points arose from discussion:-

1. The Statement appeared to focus on Cabinet arrangements and did not reflect wider member involvement in decision making. It was agreed to review this;
2. Councillor Stevens observed that BCC secondary schools appeared to be performing better than Academies and asked whether BCC had any statutory powers to require Academies to improve. It was agreed that Education colleagues would be consulted and report back on this matter;
3. Councillor Stevens referred to page 49 and the sentence ...'strategic leadership team (SLT) accountable to members....' and suggested that this should be developed more as he believed SLT to be mostly accountable to the Mayor. In response, he was informed that it was the role of SLT to serve all members;
4. Councillor Gollop referred to the importance of officers to assist members with training and scrutiny and felt that the training sessions were currently unstructured and without good notice. He added that there had now been improvements on the Forward Plan but there was still insufficient description. He asked the Committee to continue to raise the management of the Forward Plan;
5. It was noted that a limited assurance opinion from Internal Audit had been issued for the third year running and a detailed review had been undertaken by SLT to obtain greater clarity as to the root cause of the issue. Many of the causes identified are already addressed by corporate action plans eg the Organisational Improvement Plan. It was agreed to share some of the Action Plans with the Committee;
6. The effectiveness of the Whistleblowing policy was reviewed and an employee survey had informed that review and a number of measures were being considered to improve arrangements. It was agreed to re-circulate a recent email which set out the current position of the equalities and inclusion work programme;
7. Reference was made to Page 65 and the meaning of the paragraph on Bristol Energy's 'inflight project'. It was agreed that this be rewritten to provide greater clarity for the reader.

**Resolved – That the final Annual Governance Statement be agreed as a fair reflection of the internal control and governance environment during 2018/19 and to date subject to the amendments agreed at Audit Committee on 29 July 2019.**

**10 Interim Audit Activity Report for Period 1st April 2019 to 30th June 2019**



The Deputy Chief Internal Auditor summarised the key points of the report and the following comments arose:-

1. The Chair, noting that the Committee would not meet until 30 September, requested that members be kept up to date on the recruitment of staff within IA;
2. Reference was made to page 80 and the new Model for Education and Skills. It was reported that IA did not have the required expertise in this area to add value;
3. Reference was made to page 82 – the revised audit opinion categories. Councillor Gollop was surprised at the use of the term ‘in control’ which he believed was never justified; IA agreed to review the opinions again.
4. Councillor Gollop referred to page 84 and stated that the narrative did not explain why risk and assurance were assessed differently and this should be clear for the reader;
5. Reference was made to page 87 – Schemes of Delegation. A Limited Assurance opinion had been given in this instance rather than no assurance. This was to reflect that arrangements had been in place but had not been updated following restructure. .

**Resolved – That the accumulative work of the Internal audit team during the period 1 April to 30 June 2019 be noted.**

## **11 Corporate Risk Management Arrangements and the Q4 2018/19 Corporate Risk Report Update.**

The Council’s Risk Manager introduced the report and the following points arose from discussion:-

1. Councillor Stevens referred to a response he had received from the Mayor’s Office regarding the increased risk involved in housing provision. He did not believe that Risk Management was being given sufficient importance based on this response. The Risk Manager replied that she had met with the housing team to provide some training on Risk Management. She would take this point back to them;
2. Councillor Stevens referred to Councillor Thomas’s statement regarding Arena Island and suggested that the value for money and legal advice might need reassessment with regard to risk and was informed that the value of the risk was global and not a legal risk. The original Cabinet report was about the principles and now the detail was being considered;
3. Consideration was currently being given to key actions to support the air quality risk;
4. Reference was made to Page 129 – and whether consideration should be given to adding aspects of whistleblowing in order to give more legitimacy. It was noted that the document aimed to embed Risk Management and the detail, including the capacity to deliver, would be fleshed out later;
5. Councillor Gollop expressed concern regarding the issues over the consistency and accuracy of legal advice in relation to 2 Call In Sub-Committees recently held and the risk associated with making a decision based on flawed advice. He also reported that in his view the legal advice to Cabinet and back benchers was inconsistent and was an ongoing governance concern. It was agreed to report back to the Head of Legal Services on this matter for response in the Action Sheet. The Director – Finance observed that this



seemed to be a case of version control and that Legal Services should liaise with the Risk Management Manager.

At this point Councillor Jackson left.

**Resolved – That the progress made on the Council’s Risk Management arrangements and the Q4 2018/19 Corporate Risk report update be noted as a source of assurance that risk management was in place and developing.**

## **12 Updated Draft Statement of Accounts 2018/19**

The Committee was informed that there had been no material changes but some points of clarification in the narrative. No objections had been raised after consultation. The Committee was asked to note the revised statement of accounts prior to its publication on the Council’s website on 31 July 2019.

The following points arose from discussion:-

1. Councillor Stevens referred to Page 208 – observing that useable reserves had increased again and Page 215 – the increased return on property had been reasonable;
2. It was noted that it at the last meeting it was agreed to place the Glossary at the front of the accounts for ease of use for the reader. This would be actioned for future Statements of Accounts;
3. Councillor Gollop noted that Bristol Energy Company’s accounts did not reflect balances paid by customers and asked for assurance that this would be reflected in BCC’s accounts. The Director – Finance replied that this could be reflected in BCC’s accounts along with a supplementary note and an adjustment would be made for transparency;
4. Councillor Gollop referred to the 1.5m deficit in accounts which had been written off for eight schools that had become academies and asked where this could be found in the Statement of Accounts and the contingent liability on deficit balances of every other school. The Director – Finance reported that the number of schools in deficit was often reported and some were lengthy and historical deficits and the Dedicated School Grant meant that there was a statutory obligation to meet that cost and therefore a provision had been made for it from the general fund;
5. The Chair thanked the Finance team for the detailed work undertaken and the substantial improvements made in reporting in the last few years.

**Resolved – That the updated, draft and unaudited Statement of Accounts for 2018/19 be noted.**

## **13 Audit and Assurance arrangements for Council trading companies 2018/2019**



The Director of Commercialisation reported that in the future the arrangements would be reported by one Audit Committee considering both Bristol Energy Ltd and Bristol Waste Company under Bristol Holding Company.

The following points arose from discussion:-

1. Councillor Gollop declared that he sat on the Shareholder Group as an observer but was not involved in the detail of audit and governance. He observed that as Goram Homes was an embryonic start up business and it was important to have controls and systems in place to avoid it going adrift;
2. It was reported that the companies were keen to understand how best to develop a cohesive set of policies that BCC were happy with. The Chair noted that BCC policies were of a good standard and hoped that it would be possible to harmonise the companies' policies with BCC's;
3. It was important to strike the right balance between the companies delivering their objectives whilst adhering to sound policies and procedures.

**Resolved – That the Annual Review and letters of Assurance from the Chairs of the Audit Committees for Bristol Energy Ltd and Bristol Waste Company Ltd be noted.**

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**Resolved – That the Annual Review and letters of Assurance from the Chairs of the Audit Committees for Bristol Energy Ltd and Bristol Waste Company Ltd be noted.**

#### **14 Updating the Constitution - timetable for review**

The Committee heard a statement from Councillor Alexander, Chair of DC A Committee.

The Committee agreed to note Recommendations 1 and 3 and agreed Recommendation 2.



Discussion took place on the Chairs of DC Committee's proposed amendment to the Constitution regarding a 'cooling off' period in relation to DC Committees' decisions that are contrary to the officer recommendation but without sound planning reasons. The Committee agreed that it was not the best forum to comment on the proposal. It was moved and seconded that the proposed amendment to the Constitution be referred to a cross party group of DC A & B Committee members for consideration and on being put to the vote it was:-

**Resolved (Unanimously) -**

- 1. That the work undertaken to date and the timetable setting out the priority areas of the Constitution to be reviewed this year be noted.**
- 2. That the Committee recommends to Full Council that the Audit Committee Terms of Reference be amended to state that Party Group Leaders are not eligible to sit on the Audit Committee.**
- 3. That the Health Scrutiny Sub-committee Terms of Reference approved by the Overview and Scrutiny Management Board on 17<sup>th</sup> July 2019 and referred to Full Council for adoption be noted.**
- 4. That the proposal from the Chairs of the Development Control Committees to amend the Committee Procedure Rules to include a 'cooling off period' where the Committee was minded to decide a matter otherwise than in accordance with officer recommendations be referred to Development Control Committee members for consideration.**

Meeting ended at Time Not Specified

**CHAIR** \_\_\_\_\_

