

# Bristol City Council

## Minutes of the Audit Committee

25 January 2018 at 2.00 pm



### Committee members present:

**Councillors:** Barry Clark, Jos Clark, Olly Mead, Steve Pearce, Liz Radford, Clive Stevens

**Independent members:** Adebola Adebayo and Simon Cookson

### Officers in attendance:

Denise Murray, Acting Executive Director - Resources

Chris Holme, Interim Director - Finance

Jonathan Idle, Interim Chief Internal Auditor

Alison Mullis & Melanie Henchy-McCarthy, Head of Internal Audit (job share)

Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer

Ian Hird, Democratic Services

### Also in attendance:

Greg Rubins, BDO, External Auditor

### 1. Welcome, apologies and safety information

The Chair welcomed everyone to the meeting and attendees introduced themselves.

Apologies were received from Councillor Afzal Shah and Matthew Hepenstal, BDO.

The Chair drew attention to the safety information as detailed on the agenda.

### 2. Committee membership update

Adebola Adebayo and Simon Cookson were welcomed as newly appointed independent members of the committee.

### 3. Declarations of interest

None.



#### **4. Minutes of previous meeting**

**RESOLVED:**

**That the minutes of the meeting of the Audit Committee held on 23 November 2017 be confirmed as a correct record.**

**Matters arising (for information):**

**Bundred report and Annual Governance Statement tracker:** Councillor Stevens advised that he had held a further meeting with officers to look in detail at business plans linked to budget savings (with reference to Action B23 from the Bundred review).

**Action points arising from discussion (at the 21 September 2017 Audit Committee) of the Statement of Accounts for the year ended 31 March 2017:** Councillor Stevens confirmed that he had received a briefing note from officers with further detail about how the valuation of the Council's housing stock is carried out. He would be seeking a further meeting with officers to discuss this. Councillor Pearce confirmed that he had received a briefing note with further detail about how valuation decisions on investment properties are made and assessed/kept under review.

**Public forum statements from Councillor Eddy and Councillor Hopkins regarding the recruitment of the former Chief Executive:** The Chair reminded members that a joint letter on this subject had been sent to BDO (the Council's external auditor) by Councillors Eddy, Hopkins and O'Rourke. Greg Rubins advised that BDO's written response regarding this matter would be sent shortly to the councillors concerned.

**Public forum question from Councillor Denyer regarding the Mayor's forward plan and urgent key decisions taken at Cabinet meetings:** In discussion, the committee expressed general concern about the number of occasions where, under the constitution's urgency provisions, urgent key decisions had been taken, sometimes at very short notice, at Cabinet meetings. Whilst it was acknowledged that the relevant scrutiny chair was consulted on these occasions, such circumstances did not allow any realistic opportunity for pre-scrutiny of these decisions. There was also a particular concern in relation to urgent key decisions taken about some contract renewals, where the authority must have known the contract renewal dates well in advance and it was difficult to understand why advance notice of these decisions could not have been given in the Mayor's forward plan.

Whilst noting that it was a requirement that a minimum notice period of 28 calendar days should be given in the Mayor's forward plan of all key decisions to be taken at Cabinet meetings, members were also concerned that there was insufficient detail included in the plan about anticipated key decisions beyond the minimum 28 day key decision notice period. In terms of the effective management of the authority, it would be much more satisfactory for the forward plan to give as much information as possible about anticipated key decisions for the next 12 months, and it was surprising that so little information about this was currently available. There were some decisions that are known will be required well in advance and these could be included in the plan without full detail being given at an early stage. The lack of advance



information also seriously inhibited the ability of the Overview and Scrutiny Management Board to identify, at an early stage, those key decisions that would potentially benefit from pre-scrutiny input.

At the conclusion of this discussion, it was agreed that the Chair should write to the Mayor / Mayor's Office expressing the above views on behalf of the committee, also requesting a response back to the committee. The committee also noted that these issues were being looked at as part of Internal Audit's review of the Council's decision making process.

## **5. Action sheet**

The action sheet (tracking actions agreed at the 23 November meeting of the committee) was noted.

Main points raised/noted:

- a. Action point 3: The Internal Audit report on the annual "whistleblowing" review would be submitted to the March meeting of the committee.
- b. Action point 5: The issue of assurance around contract management had been addressed via the training workshop on commissioning and partnership governance held immediately prior to this meeting.
- c. Action point 6: A briefing note had been sent to committee members providing an update on the General Data Protection Regulations project.
- d. Action point 10: The Council's ethical investment policy would be reviewed to coincide with the production of the Treasury Management annual report and would be presented to the committee later this year.

## **6. Public forum**

None received for this meeting.

## **7. Work programme - latest update - for information**

The latest update of the work programme was noted.

In discussion, and further to the recent consultation, it was agreed / noted that the next meeting of the Audit Committee would now be held at 2.00 p.m. on 29 March 2018, i.e. a week later than the original scheduled date of 22 March. The agenda for the 29 March meeting would include the report on the result of the peer review of the Internal Audit service.

## **8. BDO's 2016-17 grants report**

The committee considered BDO's 2016-17 grants report, which summarised the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2017.



Greg Rubins (BDO) presented the report, highlighting the 3 key findings in relation to

- a. Housing benefit subsidy.
- b. DFT – Metrobus capital grant (no issues had been identified and the return had been certified without qualification or amendment).
- c. Underpayment of teachers' pension contributions.

Main points raised/clarified/noted in discussion:

**Housing benefit subsidy:**

- a. Further discussions were taking place between BDO and BCC Corporate Finance – accordingly this return had not been certified but it was anticipated that certification would be concluded within the next week. The further discussions would also address BDO's fees in relation to this work.
- b. In relation to recommendation 2 (training and coaching of staff), it was noted that training was kept under regular review, recognising that benefits rules were complex, detailed and subject to change. Best practice from other authorities was also carefully examined and taken account of.
- c. Notwithstanding the issues identified and raised in the report, there was an identifiable improved trajectory of service quality over the last 3 years.
- d. Appropriate preparatory work was taking place in relation to the roll-out of Universal Credit (to date this had only been rolled out across a relatively small cohort). Further national guidance was awaited.
- e. It was confirmed that the Council uses the Northgate benefits system and that there is assurance in that Northgate is a reputable, leading provider used by a significant number of authorities.

**Teachers' pension contributions:**

- a. The underpayment, whilst involving a relatively small sum of contributions (totalling £646) was nevertheless a matter of concern.
- b. The issue had been brought to the attention of management for investigation of the error and a correcting adjustment had been made.

Taking the above into account, the committee

**RESOLVED –**

**That BDO's grants report for 2016-17 be noted.**

**9. Revenue and capital grant register**

The committee considered a report of the Interim Director: Finance on the on-going work to produce and maintain a register of all the revenue and capital grants received by the City Council.

The Finance Manager presented the report, highlighting the following:

- a. During 2017-18, the Council would receive approx. £496m of external grant funding, contributing to both revenue and capital funding.



- b. This new grant register was intended to list and collate all revenue and capital grants across the Council's activities, highlighting when deadlines were due to ensure each grant was subject to appropriate monitoring and sign-off, including internal/external audit where necessary, in a timely manner.

Main points raised/clarified/noted in discussion:

- a. The new approach to establishing a single, comprehensive grants register was welcomed.
- b. Work was also being progressed with ICT to ensure that automated email reminders in relation to deadlines etc. were generated through this approach.
- c. It was suggested that officers should keep in mind the potential of this approach developing as a business/marketing opportunity for the Council.

Taking into account the above, it was

**RESOLVED –**

**That the report be noted.**

## **10. Draft code of corporate governance**

The committee considered a report of the Interim Chief Internal Auditor setting out a proposed, revised Code of Corporate Governance.

The Interim Chief Internal Auditor presented the report, highlighting the following:

- a. The Code of Corporate Governance was designed to support the leadership of the Council by developing and maintaining robust governance arrangements.
- b. The Code was based upon the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework 2016" which set out 7 core principles as follows:
  - Behaving with integrity
  - Ensuring openness
  - Defining outcomes
  - Determining effective interventions
  - Developing capacity
  - Managing risks and performance
  - Transparency and effective accountability
- c. The Code included details of how Bristol ensures good governance, together with details of how Bristol complies with the above 7 core principles.

Main points raised/clarified/noted in discussion:

- a. It was suggested that any failings in the Council's decision pathway process needed to be seen as risks to compliance with the proposed code. It was therefore critical to ensure that the decision pathway process was robust and effective.
- b. The following points were specifically raised in relation to the governance of Council owned companies:



- Bristol Waste Company Limited (BWC) was established as a Teckal company. A query was raised about whether, in legal terms, it should in effect be treated in the same way as a Council directorate for audit purposes. It was noted that following the recent independent review of the governance of Council owned companies, BWC was being required to establish its own audit committee. Bristol Energy had already established an audit committee.
  - It was noted that the business performance of BWC and Bristol Energy was monitored by the Shareholder group and that, due to interests of commercial confidentiality, this meeting was held in private session and was not a public meeting. Currently, the Chair of the Overview and Scrutiny Management Board was permitted to attend this meeting as an observer, but, due to the commercial sensitivity of the matters discussed, was not permitted to share these matters more widely with scrutiny members. Whilst fully acknowledging the commercial sensitivities, it was suggested that it was perhaps too limiting to maintain a situation whereby only one non-executive Council member was given access to this information. There was a need to find an appropriate balance between maintaining commercial confidentiality and keeping scrutiny members appropriately informed about these matters.
  - It was noted that the Annual Governance Statement required assurance statements from both BWC and Bristol Energy.
- c. In relation to the sub-principle of “Respecting the rule of law” (under principle A – Behaving with integrity), it would be important to ensure that the “whistleblowing” policy continued to provide sufficient protection to officers who report any concerns under this policy.
  - d. In relation to the sub-principle of “Sustainable economic, social and environmental benefits” (under principle C – Defining outcomes), it was suggested that in terms of ensuring fair access to services, full account was taken of the access needs of disabled and vulnerable people.
  - e. In relation to the sub-principle of “Developing the capability of the entity’s leadership and other individuals” (under principle E – Developing capacity), the importance of identifying and developing talent within the Council’s workforce, and associated succession planning was stressed.
  - f. Councillor Stevens drew attention to the following statement included within the “Behaving with integrity” section: “Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting *the reputation of the organisation.*” He expressed concern that in certain circumstances, this may inhibit or prevent a councillor from speaking about or raising a legitimate issue because disclosure of this might be interpreted as threatening the reputation of the organisation. The Head of Legal Service and Deputy Monitoring Officer advised that this specific point needed to be seen in the context of the revised code of conduct for councillors (which formed part of the revised constitutional changes currently being developed) – this point was more related to how a councillor should behave in raising a point of concern. She would be happy to discuss this point in greater detail with Councillor Stevens outside of the meeting. It was emphasised that the Code of Corporate Governance itself had been developed following CIPFA guidance.

**RESOLVED** (note: Councillor Radford and Councillor Stevens abstained)

**That the revised Code of Corporate Governance be recommended for approval.**



(Note: The meeting was adjourned at this point (3.35 p.m.) and reconvened at 3.45 p.m.

## **11. Hundred report and Annual Governance Statement tracker**

The committee considered a report of the Interim Director: Finance on the progress made to date against the action plan arising from the Hundred review and the 2016-17 Annual Governance Statement (AGS).

The Acting Executive Director: Resources presented the report, highlighting the following:

- a. The report set out the latest position in terms of progress against the action plan.
- b. 55 (65%) of the 85 actions identified from the Hundred review had now been completed and evidenced. The main changes since the previous report (to Audit Committee on 23 November 2017) were:
  - Action B18 - Decision Pathway - changed from Amber status to Red.
  - Action B35 - Learning and Development Programme - changed from Amber status to Green.
  - Action B45 - Development of Target Operating Model - changed from Amber status to Green.
  - Action B49 - Challenge and monitor number of officers at meetings - changed from Amber status to Green.

Main points raised/clarified/noted in discussion:

- a. Action B18 (Decision Pathway): It was noted that the senior leadership team would be meeting within the next week to review the pathway. It was anticipated that a streamlined and more effective decision pathway process would then be brought into place as soon as possible. This would bring further clarity in relation to mapping officer engagement in the development of reports (e.g. for submission to the Cabinet and other member meetings), with clear “checkpoints” in the process to ensure a fully corporate approach.
- b. It was suggested that it would be useful for an Excel version of the report appendices to be sent to committee members.
- c. It was noted that some of the actions from the Hundred review had Amber ratings which may take some time to fully resolve, e.g. where cultural change was required. It was important to maintain active monitoring of these longer term actions to ensure they remained on track. Directorate leadership teams were maintaining an ongoing review of progress against all actions.
- d. Action AGS 7.3: The “noted activity” / “comments on RAG” columns to be updated to reflect the fact that the revised constitution and scheme of delegations had not been submitted to the Full Council meeting in December 2017 but would be submitted for Full Council approval in either March or May 2018.
- e. Action AGS 13.1 (the Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period): It was noted that the next Audit Committee training workshop (to be held immediately prior to the March committee meeting) would be focused on reviewing the effectiveness of the committee, including any further member training needs and requirements.

Taking into account the above, the committee



**RESOLVED –**

**That the progress made to date against the Hundred review and the 2016-17 AGS action plans be noted and acknowledged.**

**12. Draft terms of reference for the Audit Committee**

The committee considered a report of the Interim Chief Internal Auditor on draft, revised terms of reference for the Audit Committee.

The Interim Chief Internal Auditor presented the report, highlighting the following:

- a. The proposed terms of reference, as set out in Appendix A, were designed to enhance the future effectiveness of the Audit Committee.
- b. The revised terms of reference were based upon best practice and the CIPFA guidance on Audit Committees.
- c. The report had been brought to the committee for their discussion and consideration.

Main points raised/clarified/noted in discussion:

- a. The terms of reference would ultimately require Full Council approval later in the year, alongside other proposed constitutional changes. As part of this, the Full Council would be considering whether to establish a new Ethics and Values Committee, which could essentially deal with standards-related functions currently falling within the remit of the Audit Committee. In discussion (whilst noting that ultimately this would be a Full Council decision), some members expressed the view that it may be preferable for standards-related functions to remain within the remit of the Audit Committee. The view was also expressed that it would be beneficial / useful for committee members to review and comment further to the Monitoring Officer as necessary on all the relevant constitutional documents that were currently being developed or under review (e.g. code of conduct for councillors; member/officer protocol). Cllr Stevens agreed to re-circulate the notes of the informal meeting of the committee held during autumn 2017 where constitutional issues had been discussed.
- b. In discussion, there was general support for the revised text of the terms of reference as set out on pages 95-98 of the agenda pack (i.e. the sections that were not related to standards functions). It was agreed however, that the first two paragraphs, concerning the committee's membership, should be merged to read as follows:  
“The Audit Committee comprises seven members of the Council and up to two independent members. The independent members are appointed by the committee. The Chair and Vice-Chair of the committee shall be confirmed by the Audit Committee as per committee procedure rules. A minimum of three councillor members of the Audit Committee will be present for the meeting to be deemed quorate.”

Noting and taking into account the above, it was

**RESOLVED –**



**That the committee generally supports the revised terms of reference as set out in Appendix A (pages 95-98 of the agenda pack, i.e. reflecting best practice and CIPFA guidance) subject to the amendment set out in b. above.**

### **13. Applications for dispensations**

The committee considered a report of the Service Director: Legal and Democratic Services setting out details of dispensations to the elected Mayor and councillors in respect of disclosable pecuniary interests (DPIs) to enable them to participate in discussion and vote on matters in relation to the civic budget and the setting of the council tax at the Full Council budget meeting (such dispensations to be granted for the Full Council budget meeting only).

In discussion, whilst noting that it was the responsibility of each individual councillor to complete their entry in the register of interests, it was suggested that at an appropriate point, the Monitoring Officer should re-issue relevant guidance to members to help ensure a consistency of approach to this by councillors. It was also noted that officers would check the register entries relating to two councillors who appeared not to have declared any DPIs.

Noting and taking account of the above, it was

**RESOLVED –**

**That, in relation to the Full Council budget meeting, dispensations be granted to the Mayor / councillors in respect of their disclosable pecuniary interests.**

### **14. Information item - summary update: complaints about councillors**

The committee considered a report of the Service Director: Legal and Democratic Services setting out a summary update of complaints against councillors.

In discussion, the Chair suggested that, on an ongoing basis, it would be useful for the Monitoring Officer to review cases as they occur and identify any wider training issues for councillors more generally that may arise from issues that have been the subject of complaints.

Noting and taking into account the above, it was

**RESOLVED –**

**That the summary update report on complaints about councillors be noted.**

### **15. Exclusion of press and public**

**RESOLVED –**



**That under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the next item to be considered on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of schedule 12A to the Act.**

**16. Minutes of previous meeting - exempt section**

**RESOLVED –**

**That the exempt section of the minutes of the meeting of the Audit Committee held on 23 November 2017 be confirmed as a correct record.**

**Matter arising:**

**Payroll system:** It was noted that there was assurance around the lessons learnt following the Internal Audit review. This had been the subject of a presentation to the Delivery Executive and the Council's response around implementing new procedures and processes has been reflected in the Annual Governance Statement for 2016-17. The commissioning of a new payroll system would be progressed via the Council's decision pathway process, and the OSM Board would therefore be able to consider in due course if this was an area it wished to prioritise in terms of pre-scrutiny input.

Meeting ended at 4.45 p.m.

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

