

**Bristol City Council
Minutes of the Audit Committee
Extraordinary meeting
31 July 2018 at 4.00 pm**



Present:-

Councillors: Mark Brain, Olly Mead, Anthony Negus, Steve Pearce, Liz Radford, Afzal Shah, Clive Stevens,

Independent members: Adebola Adebayo and Simon Cookson

Officers in attendance:-

Denise Murray, Director – Finance

Jonathan Idle, Interim Chief Internal Auditor

Chris Holme, Interim Head of Corporate Finance

Tony Whitlock, Finance Manager

Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer

Ian Hird, Democratic Services

Also in attendance:

David Eagles, BDO (External Auditor) – via telephone dial in

Chris Wlaznik, BDO (External Auditor)

Jackson Murray, Grant Thornton

1. Welcome, apologies and safety information

The Chair welcomed everyone to the meeting and attendees introduced themselves. The Chair drew attention to the safety information as detailed on the agenda.

2. Declarations of interest

None.

3. Public forum



It was noted that a public forum statement from Cllr Hopkins had been received, circulated and noted. It was noted that this statement was likely to be re-submitted to the future meeting at which the committee would consider the finalised Statement of Accounts for the year ended 31 March 2018.

4. Statement of Accounts - year ended 31 March 2018 & BDO (external auditor) ISA 260 report

The Chair reminded members that at the meeting of the committee held on 26 July 2018, the External Auditor had given a verbal update on the progress of their audit of the Council's 2017-18 accounts and related matters. It had been noted at that meeting that it was not going to be possible for the committee to receive the Final Statement of Accounts for approval at this meeting and that therefore the Council would not be meeting the 31 July deadline for approving the accounts.

The committee then considered the audit progress report submitted for discussion at this meeting by BDO, the External Auditor. The report set out details of the outstanding queries and issues (identified from the audit process) to be resolved, together with details of the work currently taking place to seek to resolve these issues.

Main points raised/clarified/noted:

1. The External Auditor confirmed that the progress report set out the latest position in relation to all matters that were still currently outstanding.
2. In relation to the identified pension liability issue, the External Auditor advised that 3 of the 4 mortality assumptions used were outside of the range of values submitted by the actuary to PWC. The Council had been asked to contact the actuary to obtain an explanation for this deviation. In discussion, Cllr Pearce (BCC's appointed representative on the Avon Pension Fund Committee) expressed particular concern around the timing of the identification of this issue, especially in light of the fact that the pension fund committee had signed off these assumptions. In discussion, the External Auditor confirmed that from their perspective, a satisfactory explanation was awaited from the actuary on the query raised.
3. Queries were raised by members as to whether the External Auditor had allocated sufficient resources to this audit and whether it was the case that an under-resourcing of the audit was a contributory factor to the failure to meet the deadline for the finalisation of the accounts. In response, the External Auditor gave a categorical assurance that the audit had been appropriately resourced from the outset. Additional resource had also been allocated as issues for further investigation had been identified as the audit had progressed. The reality was that a number of unforeseen additional issues had been identified that had not been anticipated at the audit planning stage; BCC officers had been helpful in responding to the issues raised as the audit had progressed.



4. Members expressed deep concern that the Council would not be in a position to be able to approve the finalised accounts by the 31 July deadline. In response to a question, the External Auditor confirmed that a number of other local authorities were also faced by this situation. It was also important to note the context that the date for finalising the 2017-18 accounts had been brought forward by 2 months compared to previous years, thus accelerating the timescale for delivery.
5. In relation to the issue of the severance payment in respect of the former Chief Executive, the External Auditor confirmed that information was awaited in relation to BCC's legal interpretation of the employment contract, specifically in relation to the issue of payment in lieu of notice. The External Auditor advised that the request for this information had been submitted to the Council within the last month.
6. The Chair suggested that in relation to item 2 (risk of fraud in revenue recognition) and item 5 (risk of fraud in expenditure recognition), it would be helpful for committee members to be advised of the dates on which the External Auditor had requested further information from the Council.
7. In relation to heritage assets, it was noted that the Council held £201m of heritage assets at the balance sheet date, representing an increase of approx. £100m from the previous year. This significant increase in valuation was due to a thorough valuation exercise carried out through the Council engaging a new insurer, as a result of which a considerable number of assets had been valued in 2017-18 that had not been valued before. The External Auditor was satisfied with the current (£201m) valuation.
8. In response to a question, it was confirmed that PSAA (Public Sector Audit Appointments Ltd) were fully informed of the position/progress in relation to this audit.
9. Members stressed the importance of ensuring that all necessary lessons were learned from the experience of this audit to help ensure that the Council would not be placed in this position in future years. It was noted that Grant Thornton would be taking over from BDO as the Council's External Auditor and that a full de-brief in relation to this audit would take place as part of a properly structured handover; an established handover protocol would be followed.

At the conclusion of the meeting, it was noted that once the audit had been completed, a further Extraordinary meeting of the committee would be arranged to enable the committee to consider the following items:

- * Finalised Statement of Accounts for the year ended 31 March 2018
- * BDO (External Auditor) ISA 260 report 2017-18
- * Final Annual Governance Statement 2017-18



Members noted that this meeting would be scheduled as soon as possible after the audit had been completed, but would also need to comply with the agenda notice / public access to information requirements as set out in the Council's constitution.

RESOLVED –

That the BDO audit progress report and the above information be noted.

Meeting ended at 5.05 pm

CHAIR _____

