

Bristol City Council

Minutes of the Audit Committee



23rd September 2016 at 9.30 am

DISCLAIMER

The attached Minutes are DRAFT. Whilst every effort has been made to ensure the accuracy of the information and statements and decisions recorded in them, their status will remain that of a draft until such time as they are confirmed as a correct record at the subsequent meeting

Committee Membership:-

Councillor Nicola Beech; Councillor Nicola Bowden-Jones; Councillor Helen Godwin; Councillor Gary Hopkins; Councillor Olly Mead; Councillor Liz Radford; Councillor Clive Stevens.
Independent Members: Brenda McLennan, Ken Guy.

Members Present:-

Councillor Nicola Beech; Councillor Nicola Bowden-Jones; Councillor Donald Alexander; Councillor Gary Hopkins; Councillor Olly Mead; Councillor Liz Radford; Councillor Stephen Clarke.
Independent Members: Brenda McLennan.

Officers in Attendance:-

Alison Mullis/Melanie Henchy-McCarthy - Chief Internal Auditor, Annabel Scholes Interim Service Director (Finance), Tony Whitlock Principal Accountant Corporate Finance, Greg Rubins - BDO External Auditor.

1. Welcome, introductions, apologies and safety information

Apologies were received from Councillors Helen Godwin and Clive Stevens substituted by Councillor Donald Alexander and Councillor Stephen Clarke respectively. Apologies received from Ken Guy Independent Member.

2. Declarations of Interest

Councillor Radford declared a non-pecuniary interest as her husband worked for the Bristol Port Company.

3. Minutes of 22 July 2016

The Minutes of the 22 July 2016 were agreed as an accurate record.

3a. Action sheet of 22 July 2016

Actions were noted. Noted that item 2 should refer to Public sector internal audit standards.



4. Public Forum

A statement was received from Councillor Clive Stevens which the Committee noted and made the following comments on the four points listed in the statement –

Point 1 Bristol Port Authority – Councillor Donald Alexander supported the view of Councillor Stevens in respect of the Non - Executive Director role being held by a local ward Councillor and longer for one year to provide greater continuity. Councillor Gary Hopkins fundamentally disagreed that it should be a local councillor as the person's role was to represent the whole council. Councillor Alexander asked that his disagreement with Councillor Hopkins on this point be recorded in the Minutes. In the meantime discussions to take place with the Chair and Councillor Stevens and their feedback be brought to the Audit Committee as appropriate;

Point 2 Revenue reserves – noted that reserves were currently under review and it was anticipated that a report would be brought to the November Audit Committee;

Point 3 Icelandic Banks - £8m had been invested in total and all but £150,000 had been recovered so a positive outcome. Provision had been set aside to the value of £150,000 so that the issue was now concluded;

Point 4 Governance – the Metro Bus Project had been taken off the Risk Register but had now been reinstated for a different issue. A question regarding how this helped public transport users could not be answered as there was not a Transport Officer present. Noted that the Metro Bus Project was on the Work Programme for the November Audit Committee and a report would be presented at that meeting. Request for public to be informed as much as possible perhaps using social media as an option.

Capital Projects would be considered under the Annual Governance Statement report being considered at agenda item 8 on the agenda.

5. Work Programme

The draft Work Programme was considered. The Chair asked that 'Warm Up Bristol' be added to the Work Programme. This was agreed subject to the Chief Internal Auditor checking to see if further scrutiny had taken place on this issue in which case the information would be circulated to members, if not this would be added to the Work Programme.

Corporate Complaints to be brought forward from January to November.

Partnership Governance be included.

Resolved: that, subject to the above, the Work Programme be noted.

6. Bank Reconciliation - Verbal Update

The Committee received a verbal update from the Interim Service Director Finance in respect of bank reconciliations citing this had been reviewed and that from March to end of August 2016, of the 2,288



unmatched transactions there were now only 127 still outstanding. The 736 relating to the cash book was now 93. The Committee was informed that keeping on top of Bank Reconciliations was now a team priority and many of the outstanding issues had been addressed thanks to the hard work and positive approach of the Corporate Finance team.

7. BDO - 2015/16 Audit report

The Committee received a report from the External Auditor which highlighted the key Issues arising from the audit of the Council's financial statements for the year ended 31 March 2016. This enabled BDO to discharge their responsibilities in accordance with International Standards of Auditing (ISA) 260. It also reported their conclusion on whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Overall the auditors anticipated issuing an unqualified audit opinion on the Council's financial statements and an unqualified VFM conclusion. A number of recommendations had been made to management with regard to improvements required. Management responses to the recommendations were set out in the Action Plan.

Points arising from discussion were –

1. Formal sign off of the Accounts was expected to be by 21 October 2016;
2. General progress was good and assistance from the Finance team was of high quality;
3. The External Auditor advised that, with regard to Lender Option Borrower Option loans (LOBO's) that had been taken out, a number of local authorities, including Bristol City Council, had received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by the Council had not currently been found to be unlawful, there was ongoing analysis of LOBO's generally by councils affected, their auditor and specialist lawyers. The law in relation to this matter was complex and there was uncertainty as to what the consequences could be should a local authority had obtained borrowing through a LOBO that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies might result in the outstanding balances on these loans having to be repaid in full to the lender and might result in additional costs resulting from losses incurred by the lender. It was necessary therefore that the Council include a contingent liability to acknowledge this risk;
4. It was noted that the LOBO issue was a national issue and was being overseen by the National Audit Office;
5. A further report would be brought to the Committee in respect of the LOBO issue when records had been accessed and analysed;
6. The Bristol Port Company value had increased significantly, the External Auditor advised that a professional valuation should be done in the future;
7. The 'gap' between target for budget savings and actual savings was significant and although acceptable from a purely audit perspective, due to contingency balances, the next few years would present real challenges for the Council;
8. Budget information was a key concern and scrutiny of budgets would be overseen by the OSMB. The Committee was assured that in future clear financial information would be available in parallel with appropriate training for members;
9. Energy company borrowing would be looked at in more detail next year;



10. Housing benefit overpayment levels were not directly an audit concern as the accounting processes were found to be acceptable;
11. Partnerships had not been looked at in depth but the overall situation was considered to be acceptable.

Resolved: that, subject to the comments made by the Committee, the report be noted.

8. Final Draft Annual Governance Statement 2015/16 and updated Action Plan

The Committee received a report from the Interim Chief Executive in respect of the draft Final Annual Governance Statement prior to it being finalised and signed by the Mayor and the Interim Chief Executive.

The Committee was informed 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 governance and internal control arrangements had taken place and the resulting draft Statement and Action Plan was appended to the report.

Points arising from discussion were –

1. A review of Interim Officer and Consultant appointments was currently taking place the outcome of which would be shared with Audit Committee members to decide if the matter should be considered formally at a future Audit Committee;
2. The high number of interim appointments in IT work was being reviewed and addressed with internal officer skill now being used more widely. Consultants/Interims only to be used if considered to be essential;
3. A permanent appointment had now been made in respect of the Service Director Finance/Section 151 officer role;
4. Corporate Complaints system report to be brought forward on the Work Programme from January to November;
5. Corporate Plan work was ongoing and a joint consultation on the Corporate Strategy and the budget would be completed by week ending 14 October 2016;
6. Partnership governance to be included on the Work Programme, particularly to include PFI arrangements.

Resolved: that the draft Final Annual Governance Statement be recommended for approval, as a fair reflection of the internal control and governance environment during 2015/16 and to date, for subsequent finalisation and signing by the Mayor and the Interim Chief Executive.

9. Statement of Accounts year ended 31 March 2016

The Committee received a report from the Interim Service Director Finance regarding the approval of the Statement of Accounts for the year ended 31 March 2016. The Statement of Accounts set out the Council's financial position as at 31 March 2016 and a summary of its income and expenditure for the year to 31 March 2016.

Points arising from the initial discussion were –



1. Figures in respect of Bristol Energy Company would be clarified for the next Company meeting, in the interim an update would be available prior to that;
2. Confirmed that the narrative in relation to the first two items under Business Change were factually correct although did not show the work or challenges being addressed to achieve this. A saving plan was in place to achieve the £30m saving;
3. With regard to the Council's Whistleblowing Policy it was suggested that there should be a 'pre whistle' blowing phase which allowed staff to raise issues at an early stage and perhaps avoid potential problems. The Interim Service Director Finance undertook to review the process and discuss with the Chief Internal Auditor what issues might need to be addressed and to ensure that staff were reminded of the facility available to them and to report any concerns that they might have at an early stage;

After further questions/discussion some members expressed serious concern about the narrative of the report, its accuracy in relation to the Accounts and lack of references. Concerns centred on the achievement section of the report namely lack of clarity/transparency, information relating to access to council services 24/7, education & training for 16-18 year olds, the Council's website improvements, vulnerable adults, homelessness numbers, assumptions behind the numbers of asylum seekers and housing benefit rent levels. The Interim Service Director Finance suggested that this information be extracted from the report and that it was possible to provide any information as necessary outside of the meeting in relation to asylum seekers and housing benefit rent levels.

Further concern was expressed about approving the Accounts despite the Committee having seen the report at its June meeting and the Council's external auditors being satisfied with its content.

Given the concern expressed the Chair adjourned the meeting to allow consideration to be given about what to do having regard to the statutory timescale to approve the Accounts by 30 September 2016.

On reconvening the Chair summed up the concerns which had been expressed as the Accounts being satisfactory but the narrative in the report was not, it was considered that progress could be made with the caveat that Governance issues could be raised with the Annual Governance Statement.

Other options were considered but arising from the discussion it was proposed and seconded that the Accounts be approved subject to the narrative being rewritten and approved by the Chair in negotiation with members of the Audit Committee.

On the motion being put to the vote there were two in favour and six abstentions therefore the motion was carried.

The Committee then voted to approve the Statement of Accounts in accordance with the motion.

On being put to the vote there were five in favour and three against.

Resolved – that the Statement of Accounts for the year ended 31 March 2016 be approved subject to the narrative being rewritten and approved by the Chair in negotiation with members of the Audit Committee.

10. Treasury Management report



The Committee received a report from the Interim Service Director Finance about the Annual Treasury Management review of activities and actual treasury indicators, in accordance with Local Government regulations.

Arising from discussion the Committee was informed that –

1. Due to the current low interest rates, borrowing options were being considered to take advantage of the situation;
2. Early repayment of debt was not always desirable due to penalty clauses;
3. Negative interest rates were unlikely to be achievable, the expected average was around 2%;
4. Short term borrowing, eg 24 hours, for cash flow purposes happened occasionally;
5. If required a report about the Council's future borrowing strategy could be brought to the Audit Committee;
6. Training would be provided to members about borrowing options to enable them to fully understand the options open to the Council.

Resolved – that the report be noted.

11. Treasury Management Quarter 1 2016/17

The Committee received a report from the Interim Service Director Finance in respect of a quarterly update for the Council's Treasury Management function to the end of June 2016.

Resolved – that the report be noted.

12 (a) Revised criteria for the appointment of Honorary Aldermen/women

The Committee received a report from the Interim Service Director – Legal & Democratic Services to consider revised criteria for the appointment of Honorary Aldermen/women as set out in paragraph 7 of the report.

After careful consideration the Committee amended the recommendation in the report and -

Resolved – that the revised criteria, as set out below, for the appointment of Honorary Aldermen/women, be endorsed and recommended to Full Council for approval -

An individual will be eligible for nomination and appointment to the role of Honorary Alderman/woman provided that he/she is no longer a serving councillor with Bristol City Council and has provided eminent service to the Council throughout a long and distinguished period of public service by:

- a. **Serving for a minimum period of two electoral terms as a Bristol City councillor (i.e. having been elected twice as a councillor);**

and

- b. **Holding a significant position of public responsibility with Bristol City Council, for a minimum period of one calendar year or one municipal year as either:**



- Lord Mayor;
- Elected Mayor;
- Deputy or Assistant Mayor;
- Leader of the Council;
- Executive Member;
- Any other position attracting the payment of a Special Responsibility Allowance under the Council's approved members allowance scheme (excluding attendance at the Appeals Committee);

Or

- c. Long service as a Bristol City Councillor for an aggregate total period of at least 10 years.

12 (b) Honorary Aldermen/Women Nominations

The Committee then revisited its previous consideration of Aldermen/women appointments at its annual general meeting on 24 June 2016 where some members were conferred status or consideration was deferred. The existing criteria as set out in the report to the 24 June 2016 meeting was used and all members put forward for consideration for Alderman/women status were reconsidered.

To enable proper consideration the Committee agreed to consider these in exempt session and it was-

Resolved – that under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the consideration of the following item, on the ground that it involves the likely disclosure of exempt information as defined in Paragraph 1 (relating to an individual), Part I of Schedule 12A to the Act.

Resolved - that due to their significant contribution to the local community the title of Honorary Alderman/Woman be conferred upon:

**Bill Payne
Mike Wollacott
Jenny Smith
David Morris
Alastair Watson
Gus Hoyt
Simon Cook
Glenise Morgan**

and that this be recommended to Full Council accordingly.

13. Ombudsman Annual Letter - Information item

The Letter was noted for information and the Chief Internal Auditor undertook to report on this matter further at the next meeting of the Audit Committee on 25 November.



The meeting finished at 1.25 pm.

CHAIR

