

# Audit Committee Agenda



**Date:** Monday, 30 January 2023

**Time:** 2.00 pm

**Venue:** The Council Chamber - City Hall, College Green, Bristol, BS1 5TR

## Distribution:

**Councillors:** Andrew Brown (Chair), Tony Dyer (Vice-Chair), Fabian Breckels, John Geater, Zoe Goodman, Jonathan Hucker, Hibaq Jama, Guy Poultney, David Wilcox, Adebola Adebayo and Simon Cookson

**Copies to:** Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Head of Legal Service), Glenn Hammons, Husinara Jones, Alison Mullis, Tony Whitlock, Lucy Fleming (Head of Democratic Engagement) and Ravi Lakhani (Head of Strategic Finance)

**Issued by:** Allison Taylor, Democratic Services  
City Hall, PO Box 3167, Bristol BS3 9FS  
Tel: 0117 92 22237

E-mail: [democratic.services@bristol.gov.uk](mailto:democratic.services@bristol.gov.uk)

**Date:** Friday, 20 January 2023



# Agenda

## 4. Minutes of Previous Meeting

To agree the minutes of the previous meeting as a correct record.

**(Pages 3 - 9)**

## 5. Action sheet

**(Pages 10 - 11)**



## Bristol City Council Minutes of the Audit Committee

21 November 2022 at 2.00 pm



### **Members Present:-**

**Councillors:** Andrew Brown (Chair), Tony Dyer (Vice-Chair), Fabian Breckels, Zoe Goodman, Jonathan Hucker, Guy Poultney, David Wilcox, Adebola Adebayo and Simon Cookson

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

Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer), Alison Mullis (Deputy Chief Internal Auditor), Tony Whitlock (Finance Business Partner), Ravi Lakhani (Head of Strategic Finance) and Tim O'Gara (Director - Legal and Democratic Services)

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

The Chair welcomed everyone to the meeting and issued the safety information.

### **2 Apologies for absence.**

Apologies were received from Councillor Jonathan Geater.

### **3 Declarations of Interest**

None received.

### **4 Minutes of Previous Meeting**

RESOLVED The minutes of the previous meeting held on 26 September 2022 were agreed as a correct record.

### **5 Action sheet**

Re: Item 7, it was confirmed that Cllr Wilcox' statement was shared with the IT director and that there will be an update in the January Audit Committee.



The External Auditor confirmed their pdfs are now searchable, including the documents for this meeting.

## 6 Public Forum

None received.

## 7 Work Programme

RESOVED the Work Programme was NOTED.

## 8 Value for Money Audit Plan 2021/22

The External Auditor introduced the report and summarised it for the Committee.

- There was a discussion about the time period covered by the report and which issues from previous years would be brought forward into next year.
- It was clarified that issues with balancing the budget against adult social care obligations would focus on elements that are within BCC control.
- The report seems to omit energy costs, inflation and salary increases. The EA is aware of these pressures but does not specifically name them in the report.
- There may have been a specific energy contract made within the last 6 months. The EA we will look at this determine whether the due diligence is included in the VFM remit. ACTION
- On p.18 the headline is dated March 2021. A few pages after that the timeline extends to March 2023. Then language used in the body text is present tense. EA confirmed that the cover page needs updating. The EA plans to add the 22/23 audit year and roll forward their assessment of current issues. This is expected to be published in April 2023.

RESOLVED the report was NOTED

## 9 Informing the Audit Risk Assessment Report

The External Auditor introduced the report and summarised it for the committee.

- It was confirmed that Bristol City Council has 9 major bank accounts and they are reconciled monthly.
- Members asked why insurance and legal material claims were only reported annually, rather than quarterly or monthly to ensure material claims are in reports. It was clarified by officers that the year end point concerns contingent liabilities and regular material claims are included as part of the balance sheet movement in the quarterly budget report.
- On Q11 there is a “why” question answered with “yes”. This should be reworded, appendix A gives the details.



- A member expressed concern about the accuracy of accruals as it implies a reliance on entry sheets to generate accruals. Manual entry may not capture what it should. However, the EA believes the process is sound and is running testing up to April. The level of materiality is high for BCC, so by the time of completing the audit it would be clear if figures had not accrued.
- Members requested refresher training on accounting estimates. EA valuers can also talk to members about how they support accounts. ACTION RL

RESOLVED the report was NOTED.

## **1 Treasury Management Mid-Year Report**

**0**

The Head of Strategic Finance introduced the report and summarised it for the committee.

- Full Council approved the Medium-Term Financial Plan when the central government mini-budget was reversed, so some assumptions may have been wrong.
- On prudential borrowing, what effect would a change in central government have on our borrowing? Should the MTFP be reconsidered?
- The MTFP made assumptions at a time when inflation changed daily. This does not affect capital expenditure.
- From a Treasury Management perspective, the central government changes were not significant, as TM terms are on fixed interest rates. In terms of investments, this improved as interest rates rose.
- Internal borrowing is temporary. We are looking at current forecast interest rates and borrow early to lock in favourable rates. It is prudent to borrow at various times to avoid the risk of depending on a single moment in time where rates may be detrimental.
- The 50-year rate is lowest as it is always cheaper to take out long-term borrowing. However, the chart on p.67 shows short-term loans as having the lowest rates. ACTION.
- Members said that the Treasury Management strategy was very robust and has undergone considerable scrutiny.
- At para 34 (Capital Expenditure) it states an approved HRA programme of £123m, but a forecast of £73m. This is a considerable difference. Officers to return with explanation. ACTION
- At para 22 (lending to other authorities) it was noted that central government unwrites the risk and must pay the debts of a Local Authority if it is unable to meet them. Officers perform due diligence on other authorities before lending.

RESOLVED the report was NOTED.

## **1 Avon Pension Fund**

**1**



The Finance Business Partner (External Reporting) introduced the report and summarised it for the committee.

- All local authorities have issues with deficits, though some are in a better position than others. All will need to make decisions about how to manage.
- Unitary councils have different deficit levels. This is typically about their staff assets and liabilities: ages, health etc. their demographics.
- Officers would do the detailed work on investments. Brunel provides oversight and assessment. Brunel create portfolios that can be shared and brought together. The Brunel changes came in over past 5 years.
- The pensions committee creates the strategy, which is refreshed every 3 years.
- The pension fund is managed at the fund level, not the individual local authority level. Decisions are made based on what is best for the fund, not the individuals in it. However, the investment strategy takes account of the views of employers.
- The current inflation levels and drop in markets are not material to the fund. In bad times, the low-risk long-term strategy of the fund pays better. The fund is an investor, not speculator so is risk averse. It will not touch high-risk markets such as crypto currency.

**RESOVED the report was NOTED**

## **1 Review of Specific Corporate Risk - Emergency Planning Measures**

**2**

The City Operational Planning and Response Manager introduced the report and summarised it for the committee.

- This report is in response to the committee's request to investigate the specific risk 'failure to deliver emergency planning'. This was based on a CLB report where that particular risk was increased.
- There are only 4 officers to cover the 24/7 emergency response, which seems vulnerable. They are on a duty rota and directors assist to provide cover.
- Powers and duties are under the 2005 civil contingency act and the more recent flood management. There will be additional legislation following Grenfell and Manchester. BCC will have a duty to risk assess and protect from terrorism in public locations. It is not clear what resources local governments will get to manage this.
- Members recommended that social housing colleagues could engage with tenants to educate on the dangers of naked flames.
- The team currently has 5 officers, but one is on a fixed term contract that will end in June. There is no budget for retaining this additional officer. The team used to be 3 staff so has grown slightly. The core team has wider support.
- Members thanked officers for the thorough report. There was a discussion about the emergency plan library and members requested access so that they could view the documents. ACTION JG.



- Members also requested that the generic strategic guide and tactical level plan be brought to the committee.
- Certain large infrastructure (such as Avonmouth port) is covered by the Control of Major Accident Hazards (COMAH) regulations.
- National security risk assessment sets out planning assumptions for Local Authority level. Officers are comfortable that directors are not requesting out of remit plans.
- The team regularly briefs Cllr Cheney on issues but has not gone to Growth and Regeneration Scrutiny. It may be more relevant for scrutiny to examine the emergency plans rather than audit committee.
- ASLF funding is to facilitate a resilience forum for Avon & Somerset. All emergency responders come together to discuss issues (police, health, LA, etc).
- On 'community places of safety' it is worth coming to a members' forum to show the coverage in various wards. ACTION JG to progress.
- There is training for members about emergency planning, such as the risks of high rises and function of red centres, but uptake is typically poor. ACTION JG to send on details of the next training session to committee members.

## 1 Counter Fraud Half Year Update Report

3

The Audit Manager - Investigations introduced the report and summarised it for the Committee.

- This report contains changes in the fraud policy that need committee approval.
- On fraudulent blue badge use, BCC asks for the badge to be returned upon the holder's death but there is no mechanism to follow up. It is a difficult situation given the sensitivities.
- Internal Audit are currently looking at fraud in the school admissions process. Some members cautioned about excessive investigations as happened in the SEND cases. The Committee were assured that proper processes were being followed and Officers will examine council tax data, highlight irregularities to the school admissions team, who have their own fraud process.
- BCC could do more to externally promote the success of fraud investigations to deter others. Last week was the Annual Fraud Awareness Week, but uptake on engagement activities was poor.
- A member requested the revenue figures for empty property council tax and how many properties this represents.
- On tenancy fraud, the team are challenged by backlogs in the courts. They are trying to negotiate more voluntary surrenders as a result.
- It was confirmed that 'pupil tracking request' means an education welfare team referral to find children that are out of education.
- Members congratulated the fraud team on their success.

**RESOLVED the report was NOTED and the revised Fraud Policy and Strategy was APPROVED.**



## **1 Draft Audit Committee Half Year Report to Full Council**

**4**

The Deputy Chief Internal Auditor introduced the report and summarised it for the committee.

- This report is being submitted to Full Council in December so members should submit amendments as soon as possible.
- Members will require updates CIPFA training. ACTION SM
- The list of potential training areas is helpful to members. Officers may want to invite members from outside the committee to training sessions as there will be higher expectations of councillors with the incoming committee system.

**RESOLVED the report was APPROVED**

## **1 Internal Audit Quality Assurance and Improvement Plan, Charter and Strategy**

**5**

The Chief Internal Auditor introduced the report and summarised it for the committee. It was confirmed that Sheffield City Council performed the last QA assessment and Nottingham City Council will perform the next one.

**RESOLVED The Audit Committee APPROVED**

**(i) the Internal Audit Quality Assurance and Improvement Programme (QAIP)**

**(ii) the Internal Audit Charter**

**(iii) the Internal Audit Strategy**

## **1 Internal Audit Half Year Update**

**6**

The Chief Internal Auditor introduced the report and summarised it for the committee.

- Members were happy with the progress being made by Internal Audit, especially in terms of bringing in new colleagues to support work and closing actions from previous reviews.
- The savings delivery audit shows how adjustments and controls on budget management are being achieved. The outcomes of the audit would only come to the Committee if the audit team have concerns that need attention.
- Para 3.2 notes that the work of Internal Audit has slowed down. This is due to the complexity of the environment, tight deadlines for budget proposals and the pressures of business as usual.
- There was a discussion about the meaning of 'partial implementation'. These have an element of subjectivity. Most issues have several steps to reach a solution, so partial implementation means one or more of these has been achieved.



- Audit has taken a step back from SEND issues as they are being considered in different workflows. The Ofsted review of SEND should be published on 30 November.
- The Core Cities peer review process will take place in January and February. Audit is confident that Nottingham and BCC have the capacity to complete.
- There will be an independent audit on the effectiveness of whistleblowing arrangements as Internal Audit are now responsible for whistleblowing.

**RESOLVED** The report was **NOTED** and the proposed amendments to the **2022/23 Internal Audit Plan** were **APPROVED**.

## **1 Exclusion of Press and Public**

**7**

That under s.100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business: **16.3 Appendix 2 – Internal Audit Summary Report – Cloud Review** on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 (respectively) of Part 1 of schedule 12A of the Act: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Meeting ended at 5.40 pm

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



## Audit Committee Action Sheet – actions from meeting held on 21 November 2022

| Action number | Item/report                                    | Action   | Responsible officer(s) | Action taken / progress   |
|---------------|--|--|------------------------|---|
| 1             | 8 – Value for Money Audit Plan                 | There may have been a specific energy contract made within the last 6 months. The EA we will look at this determine whether the due diligence is included in the VFM remit.    | Jon Roberts (GT)       | This is being progressed through our VFM work which is ongoing at this stage.   |
| 2             | 9 – Informing the Audit Risk Assessment Report | Members requested refresher training on accounting estimates. EA valuers can also talk to members about how they support accounts.   | Ravi Lakhani           | This will be explored in February 23.   |
| 3             | 10 – Treasury Management Mid-Year Report       | The 50-year rate is lowest as it is always cheaper to take out long-term borrowing. However, the chart on p.67 shows short-term loans as having the lowest rates.              | Ravi Lakhani           | The Treasury Management Mid-year report sets out that the Council is not planning any further borrowing during the year however should there be a risk that borrowing costs will rise quicker and remain elevated for longer than expected then the Council will consider borrowing to reduce the Council's internal borrowing position and reduce its interest rate risk exposure (Para 27 /28). I can also confirm that this position remains the same which is also set out in the 23/24 Treasury Management Strategy. |
| 4             | 10 – Treasury Management Mid-Year Report       | At para 34 (Capital Expenditure) it states an approved HRA programme of £123m, but a forecast of £73m. This is a considerable difference. Officers to return with explanation. | Ravi Lakhani           | During December capital budgets have been reprofiled to more accurately reflect programme spend. The latest capital position (as at period 9) shows £35.5m spend against a revised budget of £68.2m with a forecast of £69.5m for 2022/23.  |

|   |  |  |                 |  |
|---|--|--|-----------------|--|
| 5 | 12 - Review of Specific Corporate Risk - Emergency Planning Measures | There was a discussion about the emergency plan library and members requested access so that they could view the documents.  | Jim Gillman     | Emergency Plans are on the <a href="#">Civil Contingencies pages</a> on the Source <a href="#">here</a> . Please note, these are the plans that are not protectively marked and we also write plans for and work to plans owned by the Avon and Somerset Local Resilience Forum. |
| 6 | 12 - Review of Specific Corporate Risk - Emergency Planning Measures | On 'community places of safety' it is worth officers coming to a members' forum to show the coverage in various wards.   | Jim Gillman     | Donna Liggins (Civil Protection Manager) was due to attend the Member's Forum yesterday, but unfortunately it didn't happen. Currently working on new dates.   |
| 7 | 12 - Review of Specific Corporate Risk - Emergency Planning Measures | There is training for members about emergency planning, such as the risks of high rises and function of red centres, but uptake is typically poor. ACTION JG to send on details of the next training session to committee members. | Jim Gillman     | As above – this was going to be incorporated, but need to identify new dates.  |
| 8 | 13 - Counter Fraud Half Year Update Report                           | A member requested the revenue figures for empty property council tax and how many properties this represents.   | Alison Mullis   |  |
| 9 | 14 - Draft Audit Committee Half Year Report to Full Council          | Members will require updated CIPFA training.   | Simba Muzarurwi | The training is being arranged for the first week of February and all Committee members are encouraged to attend.  |