

# Bristol City Council Minutes of the Audit Committee

30 January 2023 at 2.00 pm



## **Members Present:-**

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

## **Officers in Attendance:-**

Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer), Alison Mullis and Tony Whitlock

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

The Chair welcomed all parties to the meeting. The Committee noted the emergency evacuation procedure for the Council Chamber if required.

## **2 Apologies for absence.**

Apologies for absence were received from Adebola Adebayo, Councillors John Geater and Guy Poultney

## **3 Declarations of Interest**

There were none.

## **4 Minutes of Previous Meeting**

Treasury Management report – last bullet point – replace ‘unwrites’ with ‘underwrites’.

**RESOLVED** – that the minutes of 21 November 2022, subject to the amendment above, be approved as a correct record.



## 5 Action sheet

It was agreed that the Head of Strategic Finance provide a fuller explanation to Cllr Goodman in respect of item 4.

It was noted that action 8 was outstanding and the Deputy Chief Internal Auditor agreed to action this.

## 6 Public Forum

There was none.

## 7 Work Programme

The Committee noted the Work Programme for future meetings.

The Committee agreed to amend the order of the agenda in order to consider items 12 and 11 first.

## 1 Digital Transformation change and governance update

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The Chair emphasized that members' questions should be focused on assurance rather than scrutiny and asked members to avoid issues that would require the meeting to go into exempt session.

The Director Policy Strategy and Digital summarized the report for the benefit of the Committee and the following points arose from discussion:-

1. Information security and governance team were leading on improvements to secure systems that can be accessed without major barriers. Work was underway to move various files and systems to the cloud for optimal use. 3<sup>rd</sup> party contracts would be brought together where possible. The customer services contact centre would be replaced so that there was less jumping around;
2. The size of the transformation was noted and it was agreed that more regular updates to this Committee was necessary for assurance purposes. The Committee was informed that an annual update to Cabinet had already been agreed with the role of Scrutiny and Audit Committee yet to be



worked through; The next report to Cabinet would be in July 23 and had yet to be added to the Forward Plan;

3. The report was welcomed. There was a need for a real time assessment as progress as there had been 7 limited assurances. There was a need to trust what the auditors reported but there were differences of opinion;
4. The Common Activities Board decided whether IT systems should be centralized with IT or with the service user;
5. It was suggested that a joint briefing to Audit and Scrutiny might be more efficient;
6. It was noted that restructuring savings were proposed for the IT service whilst there was limited assurance. The Committee was informed that this was at the forefront of all actions and it might mean that some projects would have to be scaled down earlier than would have been liked but would enable some investment in some areas of operation and security – with the right balance. Staff would be consulted on the business case and there would be no hesitation in putting in change control if all the savings were required;
7. The Chief Internal Auditor reassured the Committee that IA would follow up on their reviews. The CIPFA training arranged for next week would provide insight for members;
8. The Chair agreed to liaise with the Chair of OSMB regarding a deeper dive with a Scrutiny body. He was keen to be kept up to date on governance and timeframes and appreciated that too many updates detracted from the actual work.

**Resolved – That the report on the steps being taken to address the root causes of low and limited assurance for IT governance be noted.**

## **1 Internal Audit Exception Report**

### **1**

The Deputy Chief Internal Auditor summarized the report for the benefit of the Committee and the following points arose from discussion:-

#### **Core Systems.**

1. There was good backing from Directors to prioritise any actions they had been alerted to;
2. Access controls was a complicated issue so the changes proposed were welcomed and the Committee would help in any way it could;
3. There was a need for checks and balances when someone left the authority, or changed role, for systems managed by the Service Manager. A future discussion on this would either be exempt or an informal meeting.

#### **Financial Scheme of Delegations (FSOD)**



1. With reference to paragraph 1.7 the Director Finance reported that there had been confusion about which officers authorised the virement and the meaning of 'in consultation' in relation to record keeping. A revised scheme had now agreed the wording 'agreed evidence in written form'
2. The ABW general ledger accounting system was a single log on and only recorded the primary authorisation by the first responsible officer;
3. High value decisions (£100 – 499k) was a key decision and were all reported to the relevant forum and this was consistent across BCC and there was no evidence this had been breached;
4. The revised FSOD would be finalised and added to the Source this week and brought to Committee in March 23.

**Resolved – That the report be noted and the Committee be assured from management regarding the issues highlighted in the report.**

## **8 Grant Thornton Value for Money Plan 2022/23**

Jon Roberts, Grant Thornton, summarised the report for the benefit of the Committee and the following points arose from discussion:-

1. How could adult social care become sustainable and why was our shortfall from the government grant so high compared to other LA's. Other services would need to be cut to fix a black hole as it was not possible to control need. The public needed to understand how bad BCC's finances. Grant Thornton replied that the report provided an impartial independent commentary on the position. The fundamental challenge was that it was not possible to turn off demand. Grant Thornton's role was to challenge policy agenda and whether BCC would consider resource switching and if there was investment to provide capacity in the future in order to find VFM solutions to those pressures;
2. A Member questioned the accuracy of the rate of interest used for from the Public Works Board for the Bristol Beacon as it could lead to different outcomes to those the public were lead to believe. Ernst Young had reported that the rate in the NPV calculator had a significant adverse revenue implication. Grant Thornton agreed to review this matter. The Director Finance added that a detailed diagnostic was needed in order to truly understand market as benchmarking had limits. Financing was indicative and borrowing would only happen where needed and the NPV was calculated on that basis. Levels of reserves were optimised through the Treasury Management Strategy. There were different rates of interest for what was indicative and what was actual financing when investment had been incurred;
3. All Grant Thornton's VFM work was evaluated against BCC's own arrangements. We expect BCC to have a medium term financial strategy which can be flexed. It was important to identify what was within BCC's control when considering capital projects;



4. The importance of robust governance structures was emphasised given the move to a Committee model of decision making, WECA arrangements and joint ventures. Grant Thornton drew on their knowledge of others re best practice;
5. The Chair thanked Grant Thornton for their work, particularly the focus on Bristol Beacon and subsidiary businesses.

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

## **9 Audit Findings Report for 2020/21**

Jon Roberts - Grant Thornton, summarised the report for the benefit of the Committee. He reported that there were three outstanding matters before the report could be signed off and would ask the Committee to consider delegating those matters to the Chair to sign off so that the report did not have to come back to the Committee. The outstanding matters were as follows:-

1. Infrastructure accounting – valuation of roads was a specialist area and had proved difficult to undertake. CIPFA and the Government had now provided further advice on how to complete this;
2. Issues had been identified that impacted on the previous year and as not signed off it should be tracked back to that year;
3. The value of REFCUS charged during the year and should be net not gross.

The following points arose from discussion:

1. A member stated that it was unfortunate that the issue on the valuation of highways infrastructure emerged after the Committee approved the accounts for 20/21. He did not underestimate the challenges of producing the accounts but wished to understand why it took so long to complete them. The accounts published on the website were probably meaningless given the number of adjustments there had subsequently been and the Committee probably did not have all the information at its disposal when it approved them. He asked whether it was possible to produce a tracking schedule to show the public how the accounts had changed. Grant Thornton responded that the length of time had become a trend for LA's for the last 3 / 4 years. The Chair added that BCC were by no means alone as 92% of LA accounts had not been signed off. There were pressures on the number of auditors available in the sector and challenges to it;
2. The heritage asset was a museum collection;
3. The valuation of infrastructure assets had proved problematical for many LA's. BCC's assessment differed from the benchmark now provided by CIPFA and the government so further work was required to assess where the differences were;



4. The Chair thanked Grant Thornton for their work and agreed to send an email noting some typos he had spotted;
5. The Committee agreed with the approach as set out delegating the Chair to sign off the three outstanding matters.

**Resolved –**

- 1. That Grant Thornton’s updated Audit Report for 2020/21 and the action plan agreed by management be noted;**
- 2. That the Chair be delegated with signing off the three outstanding matters as explained to the Committee.**

**1 Internal Audit Update Report**

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The Chief Internal Auditor summarized the report for the benefit of the Committee and the following points arose from discussion:-

1. There was support for a shorter period of the plan in order to align with the Corporate Risk Register and other assurance work;
2. The new approach ensures the plan focuses on risks that are relevant at the time and remove audit reviews that become unable to do;
3. The Chair reported that he was due to meet with the CIA of Nottingham City Council regarding the forthcoming external assessment;
4. The two changes to the audit plan would only be prioritised if the assessment deemed them a high risk;
5. Internal Audit would either engage with management on the 7% of non-implemented actions or they would become a priority for the following period.

**Resolved -**

- 1. That the Internal Audit Update Report highlighting the planned key activities for the rest of the year until 31 March 2023 be noted;**
- 2. That the quarterly audit planning approach with effect from 2023/24 be agreed.**

**1 Q3 Corporate Risk Report**

**3**



The Risk and Insurance Officer summarized the report for the benefit of the Committee and the following points arose from discussion:-

1. It was agreed to circulate to the membership the matrix of risks and tolerances that had previously been included in the report and to include for future reports;
2. A member observed that due to budget pressures risks were becoming less and less tenable and how it was possible for the Committee to be assured when the risks were beyond the scope of the Committee. The Director Finance responded that the corporate risks were driven by external factors and if the risks could no longer be managed the regulator of a service would have to step in and take responsibility.

**Resolved - That the Audit Committee Q3 2022/23 Corporate Risk Report (CRR) be noted.**

The next meeting is scheduled to be held on 6 March 2023 at 3pm

The meeting ended at 4.05pm.

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

