

Bristol City Council

Minutes of the Audit Committee

26 July 2022 at 3.30 pm



Members Present:-

Councillors: Andrew Brown, Tony Dyer (Vice-Chair), John Geater, Zoe Goodman, Jonathan Hucker, David Wilcox and Heather Mack

Officers in Attendance:-

Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer) and Glenn Hammons

1 Welcome, Introductions and Safety Information

The Chair welcomed all parties to the meeting and introductions were made.

2 Apologies for absence.

Apologies for absence were received from Councillors Breckels and Grant and Simon Cookson – Independent Member.

3 Declarations of Interest

There were no Declarations of Interest made.

4 Minutes of Previous Meeting

Councillor Hucker's sought clarification regarding Item 14, para 3 where Grant Thornton (GT) had not been able to establish the reason why the majority of capital expenditure occurred in the final quarter of the financial year and questioned whether this could be attributed to the use of accruals. GT advised that although accruals may be a contributory factor, this was a practice seen at other councils and was likely a management issue. It was advisory to Councils that the flow of spend be evened out throughout the course of the year.

The Chair noted that there was a minor typographical error which would be picked up with the clerk after the meeting and this was agreed.



RESOLVED: that the minutes of 27 June be approved as a correct record and signed by the Chair subject to the amendments noted above.

5 Action sheet

The Chair noted that Action 5 relating to Single Sign On protocols was outstanding and he was liaising with the Officer concerned.

The Action Sheet was noted.

6 Public Forum

The following public forum questions were received, and responses published on the Council's website in advance of the meeting. Participants were invited to ask a supplementary question.

Questions:

Number	Agenda Item no.	Name	Title
1	12	Jen Smith	SEND Service
2	8	Councillor Wilcox	Significant Governance Issues
3	12	Suzanne Audrey	SEND Service

1. Jen Smith asked if the Council's Social Media Protocol permitted the sharing of personal data with third parties. Officers referred Jen Smith to the published response which had answered this question.
2. Cllr Wilcox had no further questions at that time
3. Suzanne Audrey asked if there was a timetable for dealing with the queries raised. Officers confirmed that there was no specific timetable and referred the questioner to the published response provided.

The following public forum statements were received and published on the Council's website in advance of the meeting and participants were invited to speak to their statements.

Statements:

Number	Agenda Item no.	Name	Title
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1	12	Jen Smith	SEND Service
2	12	Catherine Vallejo Veiga	SEND Service

Members noted the public forum questions and statements received.

7 Work Programme

Independent Member Adebola Adebayo sought clarification regarding the timing of the external auditor's audit plan which had been due to be presented at the June meeting. GT confirmed that there was a national issue causing delays in the sector which had altered the timescales for outturns. Work remained outstanding in the area of Value for Money and there were plans to hold a Value for Money workshop for Members, however they were working to meet agreed timetables as far as possible.

Digital Infrastructure

It was confirmed that this item would be brought to the September meeting to ensure the relevant matters could be covered comprehensively.

The Work Programme was noted.

8 Draft Financial Statements 2021/22

The Interim Head of Corporate Finance and the Director of Finance were in attendance for this item. The key findings of the report were summarised and the Audit Committee was asked to note, and comment on the draft, unaudited, Statement of Accounts for 2021/22.

In response to Members questions the following points were raised:

1. Bristol Beacon had received over £30m investment. In line with the valuation for the previous year and requirements of the CIPHA code, the Beacon was valued at zero within the accounts. Concern was raised that the further capital commitment planned with Wilmott Dixon would also need to be written off.
2. The Annual Governance statement had shown a significant increase in procurement breaches in the year, the approach taken to remedy this had been covered in depth at the last meeting and included a number of recommendations such as training and e-learning. Bristol was unique to other authorities in that it was being open and transparent in its reporting and action was being taken to deliver improvements. It was possible for Committee Members to request a separate session where more detail could be provided regarding the context and rationale for action planned to improve performance.



3. There had been a significant increase in the number of Non-Schools employees receiving more than £50k remuneration for the year. It was confirmed that the number of employees had increased year on year and that the remuneration bands hadn't been changed and were subject to incremental progression.
4. The total cost of exit packages had significantly increased to a million pounds compared £159k last year. It was confirmed that this was in recognition of the succession planning policy of 21/22 where a number of colleagues planning an exit develop colleagues at lower grades. Although not yet paid, provision was required to be made in the accounts from the point at which the decision to agree an exit was made.
5. It was confirmed that the Interim Director Homes and Landlord Services remuneration of circa £281k included agency fees and in the first year of appointment a third party cost had applied. The post was now a fixed term or permanent arrangement so a change would be reported in remuneration costs for future years.
6. The Director of Adults Transformation had received circa £31k from February to March 2022. It was confirmed that this had been an interim director level role to develop capacity and expedite transformational activity across the range of services in the adult social services department.
7. Usable Reserves of £134k had been transferred out of the Risk Management Reserve. **Action: Officers to confirm the rationale for this.**
8. Indicators of Financial Stress show the Children Social Care Ratio at a lower risk. It was confirmed that this was an indicator of a risk resilience index from a 19/20 data set which recorded a stable budget position in terms of the spend being able to be contained within budget and the percentage of overall budget committed.
9. Contributions to reserves included Healthier Together funding for Integrated Care of £28.5m. it was confirmed that Section 256 funding was received by all authorities at the end of the financial year for discharge to assess and went straight into Reserves. The funding was committed to transformational activity to deliver tangible benefits for integrated NHS and social care services, to ensure hospitals were not blocked up and community support available and would be put to use in the current and next financial year.
10. The Council had frozen rents last year collecting £113.8m in dwelling rent in 2020/21 having and was expecting to collect circa £127k in rents due to this years increase.
11. The council housing valuation needs to be looked at each year in with formal valuation in October. At the balance sheet date 31st march 2022 the valuation was £1.9B under the CIPHA code terms of valuation and would not necessarily be market price for those houses.



12. It was noted that a number of the supporting documents provided were not searchable documents within the Modern Gov app including the narrative document and the Grant Thornton documents. **Action: Officers to provide documents in searchable format.**
13. Officers to confirm whether the reference to Government grant income received representing an increase of £91m from 2019/20 was correct at p39 of the agenda pack. **Action Officers to check if the correct year was referenced or whether this should have been updated to the current year.**
14. There was a question over the stated increase of 10% in the number of children and young people with an Education Health Care (EHC) plan at January 2022 and the statistics relating to increases in complex cases at the end in 2020 and 2021. **Action Officers to check the detail**
15. It was confirmed that an announcement has been made at an LGA conference that the government may return to multi-year financial settlements in 23/24 and 24/25.
16. It was confirmed that the Chief Executive received no pension payment due to personal choice.
17. It would be useful to make it clear to the public that there was a good explanation why the Councils published financial information did not always track across different Committees as the information provided to Cabinet delivering in year updates would be different to final financial statements provided to Audit Committee due to the application of CIPFA codes and accounting standards requirements and the difference in treatment of Depreciation for example between cabinet and Audit.

Resolved: That the draft, unaudited, Statement of Accounts for 2021/22 be noted.

9 Estimated External Audit Fees 2020/21

Jon Roberts, Grant Thornton, was in attendance for this item. The key findings of the report were summarised for the benefit of the Committee.

In response to Members questions the following points were raised:

1. Additional Audit fees included the additional cost of PPE experts and specific work over the impairment value of Bristol Beacon.

Resolved – That Grant Thornton’s report updating their estimated fees for 2020/21 be noted.

1 Q1 - Strategic Risk Report

1



The Director of Finance and the Risk and Insurance Officer summarised the key areas of the report and the Audit Committee was asked to review and comment on the Q1 2022/23 Corporate Risk Report (CRR).

In response to Members questions the following points were raised:-

1. It was confirmed that Bristol's future change in governance model from Mayoral system to Committee System had not yet been allocated as a risk as it had not met the risk escalation threshold. Given the establishment of a Committee Working Group and the timescales involved it was unlikely to present a material risk at present but would be escalated if required.
2. Cllr Wilcox sought written responses to the risks related to Information Technology:
 - a. CRR25 – Suitability of Line of Business (LOB) Systems – It was confirmed that the progress on Actions of 100% related to that one action listed
 - b. CRR7 - Cyber Security – it was noted that implementation had been due in June 2022 and it was of significant concern that this had slipped.
 - c. CRR29 – Information Security Management System – it was important to understand why only 25% progress had been made against actions.
 - d. CRR26 – ICT Resilience – it was important to understand why progress was only at 50%
3. Officers confirmed that an exempt session would be arranged and full detail provided to give further assurance.
4. In respect of risk CRR15 - In-year Financial Deficit, Cllr Hucker questioned whether this was due to external macroeconomic factors, internal factors or a combination of both. It was confirmed that the Council's current financial meant there was a material risk of deficit at the end of year.
5. It was noted the Managing Director of Bristol Waste had left and it was questioned whether this should have been included in the service risk register. It was confirmed that the Bristol Waste succession plan had identified this as a risk and had been able to mitigate the risk with immediate effect
6. It was questioned why CRR48 - Failure to meet the affordable housing needs of the City by failing to meet the Project 1000 Delivery target had replaced the previous risk CRR38 - Failure to deliver enough affordable Homes to meet the City's needs. It was confirmed that there had been a slight change of emphasis from the aim 'to meet the City's needs' with the ambition to reframe the risk directly within the Council's influence. There were a number of sub risks below this and Officers took away an action to ask the risk owner to respond with more detail. **Action: The risk owner to contact the Councillor with further information.**
7. Independent Member Adeobola Adebayo observed that some of the risk scores had remained unchanged for a significant amount of time and whilst it was understood that tolerance scores had been agreed, it was unclear at which point tolerance levels were exceeded. It was confirmed that



the risk management framework continued to be developed and embedded, with workshops and system training provided to all risk owners including the opportunity to meet with an external Risk Consultant. **Action: Officers to arrange a risk tolerance workshop for audit members.**

8. Councillor Goodman referred to CRR49 - Workforce Resilience and questioned the rationale of a recruitment freeze. CRR49 had replaced CRR35 – Organisational Resilience to develop a specific workforce risk that was measurable. It was confirmed that there was a pause on recruitment as part of the review of the Council's financial position. There would be some exceptions and dispensations but it was an opportunity to pause, take stock and implement the necessary management activity to ensure the year ended with a balanced budget.
9. Councillor Goodman questioned how long the recruitment freeze was expected to last. It was confirmed that this was a temporary pause as each Executive Director reviewed their budgets and brought plans to achieve balanced budgets back to Cabinet. This was also in line with the Management and Capacity review which detailed workforce savings agreed by Council.
10. Councillor Goodman observed that the policy had the potential to increase the risk of low workforce resilience. It was confirmed that the risk owner would review and monitor the risk and updates would be provided for the next reporting cycle.
11. Councillor Mack referred to CRR15 – In-Year Financial Deficit and asked whether mitigation action included the hiring freeze. It was confirmed that there was a requirement to ensure that in line with the Management and Capacity Review the organisation was delivering as agreed.

Resolved: That the Q1 2022/23 Corporate Risk Report (CRR) be noted.

1 Bristol Holding Limited Audit & Risk Committee Annual Assurance Report

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The Chair apologised that Item 10 had been missed.

Chris Holme, Group Finance Director was in attendance for this item and summarised the key areas of the report and the Committee was asked to note the annual assurance report of the Bristol Holding Group Audit and Risk Committee.

In response to Members questions the following points were raised:-

1. The Bristol Holding Company Audit and Risk Committee (ARC) operates in accordance with the UK Code of Corporate Governance. Following on from the last annual assurance report the independent non-executive directors were reviewing risk management and compliance arrangements to ensure effective governance arrangements were in place for each company.



2. Councillor Wilcox asked whether the risks themselves could be shared with the Audit Committee. It was confirmed that this could be shared aligned to council's reporting cycle and subject to commercial sensitivity.
3. Councillor Dyer thanked the Group Finance Director and noted that it was important that assumptions were not made about the availability of internal expertise and a strengthening of the arrangements to bring in additional expertise from an assurance perspective and provide independent scrutiny was welcomed.

Resolved: - That the annual assurance report of the Bristol Holding Group Audit and Risk Committee be noted.

1 Internal Audit Exception Reporting including Management Action Tracking

2

The Director of Adult Social Care, Head of Service for Adult Social Care and the Risk and Insurance Officer were in attendance for this item. The Chief Internal Auditor summarised that internal reviews had been carried out in Special Educational Needs and Disability (SEND), Adult Social Care Direct Payments and Risk Management.

In response to Members questions the following points were raised:

SEND

1. It was noted that the findings of the internal review should be read in conjunction with the SEND statement, increased SEND team capacity and the implementation of clearer systems and new standard operating procedures.
2. It was confirmed that the mechanism for further updates on the exception reports were scheduled in following year via an annual update or exception report.
3. It was commented that a number of issues with SEND had been an ongoing problem for some time and had required a corporate restructure to deliver greater focus within the People Directorate including SEND. There was recognition of great breadth of statutory responsibilities within the People Directorate which was responsible for 75% of the Council's financial expenditure. In line with the direction of travel other Councils the decision had been made to split the Director roles of Adult and Children to enable significantly more capacity to focus on this important work.
4. It was questioned whether the hiring freeze would have an adverse impact on some of these existing problems. It was confirmed that frontline critical staff were necessarily exempt from the freeze as vacancies in this area could create additional problems over and above the financial impact.

Direct Payments



5. The progress that had been made to review partnership working to deliver increased capacity had been noted.
6. It was questioned whether there had been a percentage drop in the take up of Direct payments due to the impact of the pandemic. It was confirmed that there had been a 2-3% drop in 22/23 and take up was 1% below the national average.

Risk Management Review

7. A concern was raised regarding the rationale for the small number of risks that had been internally reviewed with the rating of 'limited assurance' status. It was confirmed that the reviews were carried out at roughly the same time each year and regularly monitored through the Pentana Risk system and the CIA was satisfied with level of progress made.
8. It was noted that this could be a feature of the infancy of the new Pentana system. It was agreed that things had significantly improved since the audit review and were now further forward. There had been a roll out across the council with processes and training being embedded. Risk Officers now attended Department Management Team Meetings and meetings with all risk owners going forward would include a review of tolerances and measurable specific actions.
9. It was suggested that Members would benefit from greater detail regarding the process for delivering a service level review. **Action: Officers to arrange a session for Committee Members to review the process.**

Resolved: That the outcomes of the internal audit reviews on Special Educational Needs and Disability, Direct Payments and Risk Management are noted.

Resolved: That the progress being made by management in implementing the agreed management actions arising from Internal Audit reviews is noted.

1 External Review of Bristol City Council Internal Audit Service

3

The Chief Internal Auditor summarised the key areas of the report and in response to Members questions, the following points were raised:

1. The Terms of Reference for an external review of Bristol City Council's Internal Audit Service, sets out an assessment process which is planned for 5 days in total. It was noted that the time allocated could flex dependent on the size of the organisation but 5 days had been considered sufficient to deliver a robust professional assessment.
2. It was observed that the proposed timing of the pre assessment interview was not ideal as the current Chief Executive would have moved on. It was confirmed that the process allowed for another senior leader to step in during this phase.



Resolved:

That the approach and the terms of reference for the required external review of compliance with the Public Sector Internal Audit Standards by Bristol City Council's Internal Audit Team is endorsed and noted.

That the Chair of the Audit Committee as the sponsor for the review is agreed.

That the results of the review are reported to Audit Committee for the Committee to monitor implementation of improvements identified as necessary as part of their ongoing role in determining the effectiveness of internal audit.

Meeting ended at 5.35 pm

CHAIR _____

