

# Bristol City Council

## Minutes of the Audit Committee

31 May 2018 at 2.00 pm



### **Members Present:-**

**Councillors:** Mark Brain, Olly Mead, Liz Radford, Afzal Shah, Clive Stevens and Anthony Negus

**Independent members:** Adebola Adebayo, Simon Cookson

### **1. Apologies and safety information**

Attendees introduced themselves.

Apologies were received from Cllr Steve Pearce.

The safety information as detailed on the agenda was noted.

### **2. Membership of committee (to note)**

**RESOLVED –**

**That the committee's membership for 2018-19 be noted.**

### **3. Election of Chair of the committee 2018-19**

**RESOLVED –**

**That Cllr Mead be elected as Chair of the committee for 2018-19.**

### **4. Election of Vice-Chair of the committee 2018-19**

**RESOLVED –**

**That Cllr Stevens be elected as Vice-Chair of the committee for 2018-19.**

At this point in the meeting, the Chair, on behalf of the committee, thanked Cllr Jos Clark for her work and service as Chair of the Audit Committee over the course of the previous municipal year 2017-18.



## 5. Declarations of interest

None.

## 6. Terms of reference of the committee (to note)

### **RESOLVED –**

**That the terms of reference of the committee, as approved at the Annual Council meeting on 22 May 2018 be noted.**

In discussion, it was noted that due to an administrative error, the revised terms of reference (as discussed by the committee at their meetings held on 25 January and 2 May 2018) had not been considered at the Annual Council meeting; Full Council approval would now be sought on 17 July 2018.

## 7. Establishment of Values & Ethics Sub-Committee

The committee noted that subject to the approval of revised terms of reference for the Audit Committee by Full Council on 17 July, the committee would be asked to establish a Values and Ethics sub-committee. Subject to Full Council approval, a detailed report on this would be submitted to the committee.

## 8. Dates and times of committee meetings 2018-19 (to confirm)

### **RESOLVED –**

**That dates and times of meetings of the committee for 2018-19 be approved as follows:**

- 1.00 pm, Thursday 26 July 2018
- 2.00 pm, Thursday 20 September 2018
- 2.00 pm, Thursday 22 November 2018
- 2.00 pm, Thursday 24 January 2019
- 2.00 pm, Thursday 28 March 2019

## 9. Minutes of previous meetings (to be confirmed as a correct record)

### **Minutes of Audit Committee – 29 March 2018 & Extraordinary Audit Committee – 2 May 2018**

In relation to the 29 March minute relating to “Whistleblowing arrangements – annual review”, the Chair stressed the importance of ensuring full anonymity to “whistle blowers” as necessary.

It was noted that the minutes of these meetings would be re-submitted to the July meeting of the committee for formal approval.



## 10. Action sheet from previous meeting

The action sheet (tracking actions agreed at the 29 March meeting of the committee) was noted.

## 11. Public forum

### Questions:

The committee received 2 questions as follows (the questions and written replies are set out below):

### 1. Questions from Cllr Paula O'Rourke re: agenda item 17 – draft Statement of Accounts 2017-18

On the draft accounts for 17/18, I see on page 56 that Anna Klonowski received £160,116 salary, fees and allowances for the months April 2017 to Sept 2017 plus £36,000 in pension payments.

Q1. Could you confirm please how much of this was payment of her regular salary from April 1st 2017 up until she left on 30th Sept 2017 please? I can therefore assume the remainder was her payment on leaving?

Q2. If my assumption in Q1 is wrong, what, please, was her final payment on leaving and include the pension too?

### REPLY:

“The contractual payments made to Anna Klonowski in relation to salary, fees, allowances and pension contribution for the period of her employment totalled £196,118. As stated in the draft Statement of Accounts no compensation payment was included in leaving the employment of the Council.”

In a supplementary question, Cllr O'Rourke noted that the above reply stated that no compensation payment was included when Anna Klonowski left the Council's employment; yet published figures indicated she had received an extra 6 months' pay, for work not done, and this point had not been explained. In response, the Acting Executive Director – Resources advised that the figure quoted in the written reply was the total sum paid under the contractual arrangements, taking into account, as stated, salary, fees, allowances and pension contribution. The contractual arrangements were appropriately the responsibility of the Human Resources Committee.

### 2. Question from Alderman Brian Price re: agenda item 14 – Annual Governance Statement

Do you feel you have done enough to see that the systems and processes have been in place for the citizens of Bristol to scrutinise the workings of the Council's directorates including call-ins and reviews?

### REPLY:



“The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate or identify all risk of failure in systems and processes and therefore at best can only provide reasonable and not absolute assurance of effectiveness. In addition the Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council’s statutory and regulatory requirements are complied with. The approach adopted for the AGS review is set out in detail in this report; it included all directorates in terms of both self-assessments and areas of assurance reviews / audit during the course of the year and the findings and agreed actions are reflected in the associated reports.

The procedure for Call-In is outlined within the Council’s Constitution (OSR 17) and during 2017/18 no key decisions were called in. The Constitution has been subject to a full review and following member engagement the changes proposed were considered at the full Council Meeting on 22 May 2018.”

As a supplementary point, Alderman Price suggested that, in his view, there was a role for the Audit Committee in assessing the risk of scrutiny (e.g. of Council departments) not being fully effective or resourced.

**Statements:**

4 statements were received, all of which related to Agenda item 18 – Councillor referral to Audit Committee, as follows:

- Statement 1 from Cllr Gary Hopkins
- Statement 2 from Cllr Paula O’Rourke
- Statement 3 from Graham Donald
- Statement 4 from Cllr Richard Eddy

**12. BDO's (External Auditor) progress report to the Audit Committee**

The committee considered BDO’s (external auditor) progress report for 2017-18.

In relation to the Use of Resources section, it was noted that the findings of the External Auditor on the financial statements were due to be reported to the Audit Committee at their July meeting.

**RESOLVED –**

**That the progress report be noted.**

**13. Internal Audit annual report 2017-18**

The committee considered the annual report of the Interim Chief Internal Auditor. The committee was asked to receive and note the report as a source of assurance regarding the risk, control and governance across the Council.



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Main points raised/clarified/noted in discussion:

1. Significant issues in the report were:
  - Section 2 - The Head of Internal Audit's opinion on the control, risk and governance environment.
  - Section 3 & Appendix A – The work completed by the Internal Audit team from which the above opinion had been derived, and identified areas of risk exposure.
  - Section 4 – The Internal Audit team's performance and compliance with their professional standards.
2. It was noted that limited assurance only could be given that the framework of control was adequate. Overall, 63% of reviews undertaken concluded that reasonable assurance could be provided that controls were in place and operating effectively. The trend in relation to this suggested that the position was not improving compared to previous years.
3. In terms of corporate governance, it was recognised that the committee had considered and recommended an updated Code of Corporate Governance which had now been approved by the Full Council.
4. It was noted that the Audit Committee will continue to have a key role in providing independent assurance of the risk management framework and the associated control environment.
5. In relation to GDPR project governance, significant issues had been identified in September 2017 requiring a rapid escalation of the project management and governance of the Council's GDPR preparations. These issues had been addressed effectively and the Audit Committee had kept oversight of the progress achieved.
6. In relation to the implementation of recommendations from internal audit reviews, Internal Audit had worked throughout 2017-18 with departmental management teams to highlight issues and escalate any areas of concern. This had seen the level of recommendations implemented rise from 31% in 2016-17 to 57% in 2017-18.

In discussion, it was suggested that the committee may wish to identify particular areas of concern and then pro-actively hold to account those responsible for implementing recommendations by questioning them in detail at Audit Committee meetings. Such areas of concern may need to be prioritised.
7. The importance of member scrutiny of risk was highlighted. In relation to directorate risk registers, it was noted that following the most recent review of the scrutiny function, the newly established scrutiny commissions (i.e. as established at the Annual Council meeting) would review these as part of their 2018-19 work programmes. It was noted also that a new risk management policy had been approved by the Cabinet in January. Work was now taking place to provide direction on ensuring that risk management was more effective going forwards.



8. In discussion, members noted the importance of ensuring that the Internal Audit team was staffed fully and appropriately, noting that some temporary staff were in place currently. It was noted that a review was being undertaken to ensure that the team was properly resourced.
9. In relation to procurement and commissioning, several reviews in this area had concluded that only limited assurance could be assigned, for example in relation to contract management, where standards around this had been found to be inconsistent across the Council. Also, the number of contract waivers from procurement regulations continued to be high and the waivers process itself had not been consistently applied. In discussion, officers confirmed that contract management was an area where significant improvement was required. It was agreed that there should be a particular focus on improving the situation with regard to contract waivers and that progress should be reported to the Audit Committee in September.

Noting and taking the above points into account, it was

**RESOLVED –**

**That the Internal Audit annual report 2017-18 be received and noted as a source of assurance regarding the risk, control and governance environment across the Council, and the significant issues raised in the report be noted (noting that these will inform the committee’s 2018-19 work programme).**

**14. Draft Annual Governance Statement 2017-18**

The committee considered a report of the Interim Chief Internal Auditor setting out the Annual Governance Statement (AGS), together with an action plan as a fair reflection of the internal control and governance environment of the Council during 2017-18.

Main points raised/clarified/noted in discussion:

1. A robust and detailed process had been undertaken corporately across the Council in relation to the AGS, as part of the ongoing “improvement journey” that the Council was following in light of the 2016-17 AGS. Senior managers across the Council had been required to complete assurance statements for their respective areas, acknowledging their responsibility for internal control and risk management. The Council’s Statutory and Policy Board had also been kept informed and consulted on the AGS content.
2. The action plan set out the steps to address the particular improvements identified. In addition, to further strengthen governance and local accountability, the Council would be taking part in a Corporate Peer Challenge in September 2018 organised by the Local Government Association.
3. It was suggested that member training was an ongoing area of importance and that it would be important to tailor training to best suit and match members’ development needs.



4. Further work would be taking place to finalise the AGS, which would ultimately be signed off by the Mayor, Head of Paid Service, Section 151 Officer and Monitoring Officer.

Noting and taking the above points into account, it was

**RESOLVED –**

**That the draft Annual Governance Statement and action plan 2017-18 be noted.**

### **15. Annual counter fraud report 2017-18**

The committee considered a report of the Interim Chief Internal Auditor setting out the Annual Counter Fraud report 2017-18.

Main points raised/clarified/noted in discussion:

1. Through its work over the last year, the Counter Fraud team had continued to generate significant, recoverable, ongoing and notional savings for the Council.
2. The team's role covered a wide range of counter fraud activity and investigative work within its current structure. Developments within the service were ongoing and continuous.
3. In relation to costs, it was noted that the cost of the entire Internal Audit and Counter Fraud team for 2018-19 was £748k; savings to date from counter fraud work in 2017-18 were £1.052m recoverable, £3.303m notional with an ongoing weekly cost saving of £11,231.
4. Members expressed their general appreciation of the Counter Fraud team's work, noting that the positive outcome in terms of savings achieved reflected a very proactive programme of activity across a range of areas. The savings achieved in relation to Council Tax single person discounts were particularly welcomed, noting that this review had resulted in the removal of 1,559 single person discounts valued at £440k.

Noting and taking the above points into account, it was

**RESOLVED –**

**That the Annual Counter Fraud report 2017-18 be noted.**

### **16. Audit Committee annual report to Full Council - draft report**

The committee considered the draft of its annual report to Full Council covering 2017-18.

Main points raised/clarified/noted in discussion:

1. The report would be presented to the Full Council on 17 July 2018.



2. It was suggested (re: Section 4 – The work and activity of the Audit Committee in 2017-18) that work undertaken off-line by committee members in analysing business plans should be referenced.
3. It was also suggested that the report should reference the ongoing critical need of ensuring that the Internal Audit team is properly resourced.

Subject to the above, it was

**RESOLVED –**

**That the Audit Committee annual report for 2017-18 be submitted to the Full Council on 17 July 2018.**

**17. Draft Statement of Accounts 2017-18**

The committee considered a report of the Interim Director of Finance setting out the draft, unaudited Statement of Accounts for 2017-18.

Main points raised/clarified/noted in discussion:

1. It was noted that the Statement of Accounts set out the Council's financial position as at 31 March 2018 along with a summary of its income and expenditure for the year to 31 March 2018. The financial statements were the main method of demonstrating financial accountability and stewardship.
2. The draft accounts would now be published and made available for public inspection.
3. For comparative purposes, it would be useful for the details of the Mayor's salary to be shown alongside details of councillor allowances.
4. The page numbers shown in the report should be cross-checked against the page number references shown on the contents page.
5. It was noted that members would email any further queries direct to the Interim Director – Finance.

**RESOLVED –**

**That the draft, unaudited Statement of Accounts 2017-18 be noted.**

**18. Councillor referral to the Audit Committee**

*(Note: this item of business was considered at the meeting immediately after the public forum - agenda item 11).*



The committee considered a report of the Director – Legal & Democratic Services in light of the referral received from 3 councillors.

Main points raised/clarified/noted in discussion:

1. The Deputy Monitoring Officer advised that the committee's terms of reference did not permit the committee to commission enquiries into the recruitment of individual members of staff or into their performance or into particular employment termination agreements.
2. The committee's terms of reference did include seeking assurance in relation to governance issues. The External Auditor, BDO will report progress on the review undertaken as part of their Audit completion report (ISA 260) for the year ended 31 March 2018 - that would enable any relevant governance issues to be considered.
3. Following discussion, it was noted that once the progress report from the External Auditor had been received, officers would produce a report on options available to the committee should they feel that further action is required.

**RESOLVED –**

**That the report and the above information be noted.**

#### **19. DBS checks for members of Council - draft policy and guidance note**

The committee considered a report of the Director – Legal & Democratic Services on a draft policy and guidance note regarding DBS checks for members of Council.

Main points raised/clarified/noted in discussion:

1. It was noted that in light of feedback from the Corporate Leadership Board, further information/clarity would be included about how reminders re: checks would be sent to members.
2. The implementation of the policy would be administered by member services officers.
3. It was noted that subject to compliance with the statutory rules on being eligible to be elected to office and to remain in that office, the Council could not prevent the election or continuation in office of any elected member, irrespective of what might be disclosed by a criminal records check. The Council would though take appropriate steps in accordance with its safeguarding responsibilities and proportionate to the conviction, caution or other issue disclosed.
4. The Council would not accept DBS disclosure certificates from any other organisations for any elected member.



5. An updated version of the policy would be circulated to members.

Noting and taking into account the above, it was

**RESOLVED –**

**That the draft policy and guidance note be noted, noting that an updated draft will be circulated to members.**

Meeting ended at 5.16 pm

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

