

# Bristol City Council

## Minutes of the Audit Committee

26 March 2019 at 2.00 pm



### Members Present:-

**Councillors:** Mark Brain, Olly Mead (Chair), Anthony Negus, Liz Radford, Afzal Shah, Adebola Adebayo, Simon Cookson, Margaret Hickman and Paula O'Rourke

### Officers in Attendance:-

Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Service Manager Legal), Jonathan Idle, Melanie Henchy-McCarthy, Alison Mullis and Chris Holme (Interim Service Manager - Corporate Finance)

## 1. Welcome, Introductions and Safety Information

These were done. Apologies noted from Councillor Stevens – Councillor O'Rourke as substitute. Councillor Hickman substituting for a vacancy on the Committee.

The Chair reported that the meeting was being audio recorded but this would cease should the meeting moved into exempt session.

## 2. Declarations of Interest

Councillor Brain declared that his wife was a Blue Badge user in the context that Blue Badge fraud may be considered in an agenda item.

## 3. Minutes of Previous Meeting

16 October 2018 – These were agreed as a correct record.

**Resolved – that the minutes of the 16 October 2018 be agreed as a correct record and signed by the Chair.**

21 January 2019 - These were agreed as a correct record.

**Resolved – that the minutes of the 21 January 2019 be agreed as a correct record and signed by the**



**Chair.**

#### **4. Action sheet**

This was noted.

#### **5. Public Forum**

There was none.

#### **6. Work Programme**

This was noted.

#### **7. External Auditor Grant Thornton - Audit Update**

The representative of Grant Thornton (GT) reported as follows:-

1. Some interim audit work had been undertaken on site and there were no significant issues to raise to date;
2. Transactional testing was underway and this information would be available by the end of the week to inform next steps;
3. GT had met with Price Waterhouse Cooper, the Co-Auditors in order to discuss timetables for the consolidated group accounts. It was noted that Goran Homes 1<sup>st</sup> year accounting period had been extended to 31 March 2020 and as such would not be incorporated in the consolidation.

The following points arose from discussion:-

1. There was a risk of delays given the timescales GT were operating in and the Committee would be kept up to date in this regard;
2. Councillor Negus referred to the Value for Money work of GT and asked why this had not been carried out for the Arena. He stated that value for money was not simply an accounting term but was an aspirational assessment. He was informed that assessments were based on National Audit Office standards and GT from their interim work will determined what were significant risks within those arrangements. The Director – Finance added that the code of Audit Practice and the National Audit Office prescribed the scope of assessing value for money. This is to assess whether proper arrangements are in place to secure value for money and was not intended to question policy objectives or assess the broader sense of value for money.



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

## **8. External Auditor - Annual Accounts 2017/18**

The representative from BDO reported as follows:-

1. A significant amount of the accounts had already been seen by the Committee and was on the verge of completion. This report focussed on updates;
2. BDO highlighted on Page 12 – Informed Decision Making, the review of the arrangements associated with the final salary for the Ex Chief Executive and the conclusion that it was inappropriate to conclude that all of the payment made was contractual;
3. Barring the above arrangements in place and the direction of travel was better than last year's adverse opinion ;
4. Outstanding matters were detailed at Page 40;
5. It is not possible to hand over to GT until the accounts are signed off and the Audit file shut down in order to enable GT to take it on;
6. BDO highlighted the key accounting matters on Pages 23 and 24.

There were no questions from the Committee and it was therefore:-

**Resolved –**

- 1. That BDO's 2017/18 Audit report and action plan agreed by management be noted;**
- 2. That the Statement of Accounts for the year ended for 31 March 2018 be agreed.**

## **9. Bristol City Council - Grant Report - 2017/18.**

The representative of BDO reported that it had identified issues which resulted in either an amendment and a qualification in relation to Housing Benefit Subsidy and an amendment in relation to teachers' pensions.

The committee noted that these amendments were of minor value and as such no further questions from the Committee and it was therefore:-

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

## **10 Corporate Risk 9 - Safeguarding Vulnerable Children**

The Service Manager – Safeguarding and Change introduced the report with the following points:-



1. There was a significant governance structure around assurance which includes quarterly meetings between the Executive Director for Resources and the Independent Chair of the Bristol Children's Safeguarding Board and a bi-monthly Children's Services Improvement and Transformation Board;
2. Social work practices were improving as reduced workloads gave Social Workers more time to work with children and families;
3. Reduced caseloads and improved performance management was driving improved performance across key performance measures;
4. Bristol City Council was one of only five Councils that won a bid to work with the University of Bedfordshire in the Contextual Safeguarding Scale Up Project which focussed on safeguarding in situations of extra-familial abuse and exploitation such as criminal or sexual exploitation, serious youth violence and gangs;
5. There was a relatively stable work force, however, turnover was at 19%. Agency staff use remained relatively low though a growth was anticipated this quarter due to the difficulties in recruiting. These factors added to the safeguarding and financial risks faced by the Council;
6. The Committee noted the key risks to the service as set out in paras. 7.9 to 7.15.

The following points arose from discussion:-

1. Caseloads were monitored by volume and assessment. New analytics allowed for monitoring across the city in order to determine where there was greater need for social services;
2. Colleagues within the Licensing Authority provided training for drivers to understand safeguarding issues. There was an Exploitation Group which consisted of officers across the neighbouring authorities;
3. With regard to a timeline for inspections to move to good, the Committee noted that improvements were already taking place. Meetings were held with Ofsted annually so that there was a clear plan ahead of full inspections;
4. Councillor Hickman noted that many families in her ward would become foster carers but were prevented because of the stipulation that a foster child must have their own room and hoped there would be movement on that so that a new cohort could replace ageing foster carers;
5. Simon Cookson stated that the report was an interesting and positive read. He noted the ongoing dialogue with Ofsted and suggested that an update be brought to the Committee after the next inspection for assurance purposes;
6. Councillor Brain referred to Appendix 2 and praised the three lines of defence for each risk. In response to his question, it was noted that 281 children had gone missing from home but this accounted for 520 episodes as some children did it more than once;
7. The Director - Finance referred to the Statutory Policy Board which met quarterly and undertook 'deep dives' on matters of statutory business and significant improvements had been noted.
8. It was noted that based on 2018/19 figures it cost the Council on average £4,700 per annum across primary and secondary to keep a child in mainstream school and c.£20,000 per annum comparative data for a pupil referral unit;
9. The Chair thanked the Service Manager for presenting an interesting and positive report and thanked her for her time.



**Resolved –**

- 1. That the assurances offered in terms of the effectiveness of approaches being undertaken to safeguarding vulnerable children be noted and;**
- 2. That the progress made since the Ofsted Single Inspection of 2014 as reflected in the September 2018 Inspection of Local Authority Children’s Services be noted.**

**11 Report on External Inspections 2018/19**

The Head of Corporate Finance introduced the report with the following points:-

1. The Committee was asked to note the total number of inspections for last year;
2. The CQC inspections that took place in 2018 were all deemed to be good;
3. Ofsted had inspected 32 Bristol schools since April 2018 – eight were considered good, one required improvement and two were inadequate.

The following points arose from discussion:-

1. There was no performance comparison data for maintained schools and academies;
2. In response to query from Councillor Radford regarding Henleaze Infant School it was reported that this had been inspected and published in November 2018, but was omitted from the list. Para 7.1 should therefore be amended to *‘Eight schools were judged to be good, two judged to be requiring improvement, and two judged to be inadequate.’*

**Resolved –**

- 1. That the findings of the internal inspections as set out in paragraphs 4 to 7 of the report be noted;**
- 2. That the improvement actions required as a consequence of the inspection findings, and where appropriate the management response be noted;**
- 3. That an annual report summarising external inspections and audits for the previous year along with progress against any recommendations be received.**

**12 Internal Audit - Draft Plan 2019/20**

The Chief Internal Auditor provided initial comments that over a period of time, there had been discussions about future resourcing needs for the Internal Audit and Counter Fraud service, highlighting



that the Audit Committee and the s.151 officer had been very supportive. He noted that for 2019/20, resources had now been enhanced and the service was fully aware of the accountability this brought to use this resource effectively.

The Head of Internal Audit then introduced the report with the following points:-

1. The Plan was formally renewed quarterly. It was recognised that there was a need for a flexible plan so it was constantly being assessed;
2. A recent team review had resulted in increased resources for the Internal Audit team. Resources include the buy in of specialist IT audit expertise.
3. Its key features were that flexibility and responsiveness were built in and that each quarter a corporate risk was reviewed.;
56. The work undertaken by the Internal Audit team for the Annual Governance Statement was highlighted.

There were no comments and it was therefore:-

**Resolved –**

- 1. That the Draft Internal Audit Plan for 2019/20 be approved;**
- 2. That the Committee notes that the areas it required assurance from Internal Audit in 2019/20 were reflected in the Plan.**

### **13 Peer Review Implementation Update**

The Chief Internal Auditor introduced the report with the following points:-

1. The Internal Audit Service was externally reviewed against the Public Sector Internal Audit Standards in February 2018 and it was concluded that the service 'generally conformed' to standards;
2. The service was required to respond to 342 questions which supported the professional standards and 28 recommendations were made. The Chief Internal Auditor reported that 64% of recommendations had been fully implemented and 32% were well progressed.

The following points arose from discussion:-

1. The Chief Internal Auditor, in response to an enquiry regarding the adequacy of resources within Internal Audit, stated that the service had been fully supported by the Council and in particular by the S151 Officer and the priority now was for the effective utilisation of the resources. He reminded the Committee of a report of the S151 Officer in January which set out for the Committee the effectiveness of Audit and where there areas where resources were lighter;

**Resolved – that the progress on the implementation of the recommendations be noted.**



## 14 Internal Audit Activity Report for the period of 1 April 2018 to 28 February 2019.

The Chief Internal Auditor introduced the report, highlighting the following points:-

1. 46% of reviews had resulted in a “Reasonable Assurance” Audit opinion, which compared to 63% of reviews in 2017/18;
2. The recommendation implementation rate was currently at 90% implemented or partially implemented;
3. There had been 24 grants in the period with a total value of circa £24m certified to date;
4. Resource position and utilisation was discussed with an example provided of how utilisation was being maximised relating to assurance on the coverage of the financial and governance review of schools;
5. Proactive fraud had identified approximately £778k of recoverable savings to date;
6. Tenancy property recoveries stood at 29;
7. NNDR savings of £50k by data matching exercises with this being service offered to neighbouring authorities;
8. A key amnesty for BCC social housing tenants would begin in April 2019;
9. Detail was provided of all outstanding recommendations following a request by members at a previous Audit Committee;
10. The status of implementation and outstanding recommendations was provided and it was noted that this information was provided to the Executive Management team on a quarterly basis;
11. Summaries of 18 completed audits , including follow ups were provided and particular emphasis was given to:
  - a. Budgetary Control – Reasonable Assurance - the Chief Internal Auditor commented that this was an important audit for the section and a prime example of how the independence of the Internal Audit service could be demonstrated
  - b. Care Reviews of Residents in Care Homes – Limited Assurance
  - c. Bristol Direct Payment Account - Limited Assurance
  - d. Taxi Licensing – Limited Assurance - Key areas for improvement related to the evidencing of DBS checks, DBS check frequency and the increased numbers of temporary renewal licences which negated the controls that were in place to protect the public;
  - e. Council Tax Collection – Reasonable Assurance
  - f. Procurement Reviews of Specific Contracts – Reasonable Assurance
  - g. Development Control – s.106 Funding – Limited Assurance - It noted that funding was held securely in a holding account and the processes to draw down funding was adequate. A particular finding was that some funds close to expiring were at risk of being returned and it was recommended that these be more closely managed in order to ensure maximum benefit was achieved;
  - h. Future State Assessment – Limited Assurance – The Head of Internal Audit outlined in detail significant issues relating to the management of risk for this key Council project.

The following points arose from discussion:-



1. Simon Cookson noted the lower percentage of reasonable assurance reports and asked whether overall control was weaker than last year. The Chief Internal Auditor replied that there was a downward trend. A drill down to establish the underlying reasons would be prepared for the Corporate Leadership Board;
2. Councillor Radford suggested that officers bring any recommendations not implemented which they considered needed to be reviewed back to Audit Committee.

**Resolved – That the Internal Audit Activity for the period 1 April 2018 to 28 February 2019 be noted.**

### **15 Annual Review of the Audit Committee terms of reference**

The Head of Legal Services highlighted that this was a routine report and did not make officer recommendations. The ToR were last amended in May 2018 to reflect some additional responsibilities relating to amendments to the Constitution. She welcomed comments.

The following points arose from discussion:-

1. Councillor Brain proposed that a Party Group Leader (PGL) should not be permitted to sit on Audit Committee as the Committee should be not political. This was in line with CIPFA advice. It was noted that previous members had stood down on becoming a PGL;
2. Councillor Negus questioned why this would be the case for Audit Committee and not OSMB/Scrutiny meetings;
3. Councillor Radford understood Councillor Brain's view but suggested this be further considered before a decision was made
4. The Head of Legal Services stated that this proposal would need to be considered by the Monitoring Officer (MO) and a recommendation made to Full Council. It was agreed that a report of the MO on this matter be considered by the Audit Committee at a future meeting and it was:

**Resolved – That the Audit Committee receive a report from the MO regarding Party Group Leader's sitting on the Audit Committee.**

### **16 Review of the Constitution**

The Head of Legal Services reported that in December 2018 Full Council had agreed an amendment to this Committee's ToR which detailed the delegation to Audit Committee of reviewing elements of the Constitution. This report set out the areas for future review. There was no discussion and it was therefore:-

**Resolved –**



**1. That the summary of the areas of the Constitution that will be reviewed during the next 6-12 months be noted;**

**2. That the Monitoring Officer report back to a subsequent meeting of the Audit Committee with an update on the work that is being undertaken.**

**17 Senior Executive Remuneration Review – Audit for year ending 31 March 2018, Recommendations from Council**

**17. Senior Executive Remuneration Review – Audit for year ending 31 March 2018 – Recommendations from Council.**

The Head of Legal Services stated that this was a report from the Monitoring Officer setting out the amended resolution agreed at Full Council on 19 March. For the purposes of clarity Councillor Weston, who had moved the amendment to Recommendation 3, had been consulted on the amendment's intention. An agreed note of clarification was read out:

'For the avoidance of doubt, the recommendation envisages that the Audit Committee will review the BDO report and action plan and will receive a verbal briefing from BDO in respect of the all aspects of the review – (namely Final payment arrangements, Recruitment processes, Probation arrangements and Performance management arrangements) and the action plan approved by Full Council. There will be an additional explanation by the Auditor and a confidential report prepared by the former Interim Monitoring Officer in to the legal and governance processes undertaken. This will take place in exempt session where necessary.

Having undertaken this further work, the Audit committee will provide feedback and comment to the Head of Paid Service in relation to the BDO Review and any further action points not covered by the statutory recommendations flowing from it. This will inform the Head of Paid Service's written update to Full Council. The original approved recommendation also requires that the HR committee will review progress made in relation to the recommendations in the BDO report and the action plan and provide feedback and comment to the Head of Paid service in similar terms.

At the Audit committee planning meeting a list of documents considered by BDO was requested by Members and it was envisaged that this would be provided. The Auditors however were not party to this conversation and have since clarified that they do not have a list, would not expect to prepare one as this is not a commissioned/forensic review, and would not be what is normally expected as part of this work. They do not therefore propose to provide a list'



The following points arose from discussion:-

1. The Chair clarified for the Committee that it was Councillor Weston's intention that the Audit Committee consider the matter and report back to the Head of Paid Service;
2. In response to a point of clarification regarding the document review process BDO confirmed that interviews did not take place with individuals involved in the arrangements but that BDO had spoken to some individuals within the council in order to clarify documents;
3. BDO confirmed that the scope of their review was wider than that reported in the statutory recommendations at Full Council. The review also covered areas that were of a confidential/sensitive nature as well as areas where the review indicated the Council had already addressed what would have been a concern and changed their arrangements and therefore not covered in the report to Council;
4. BDO confirmed that their scope was not for a forensic review. The review was carried out in line with the terms of the National Audit Office code;
5. Councillor Negus reported that the Monitoring Officer had confirmed that the elements not in writing could only be considered in exempt session. It was clear there were other historic elements that added to events but were not included within the scope of the review. He noted that the probationary period was crucial to the review and was not included;
6. Simon Cookson stated that the Audit Committee needed assurances that processes were in place so that this did not happen again. He questioned whether the Committee was now in a position to draw a line on the matter or was there other evidence it would want to consider acting upon;
7. Councillor Brain proposed that should the matter happen again disciplinary action would be taken against officers involved and the Mayor/Members involved would be referred to standards. The Chair supported this and suggested that this be put forward to the Head of Paid Service as a recommendation. This was supported by the Committee;
8. The Chair proposed that for future decision making there had to be a paper trail of the decision making for audit purposes. This was supported;
9. Councillor Negus asked how BDO were able to ask the right questions in order to make their determination whereas the previous legal advice on this matter had concluded differently. BDO were unable to determine how decisions had been reached at the time as there was an incomplete trail. BDO had reviewed the contract and sought clarifications regarding the terms of it and was therefore clear on their conclusion;
10. Councillor O'Rourke felt that lessons had been learned by HR and legal Services but that there was a vacuum as it was not known who the agents of the decision making were. She added that as the HR ToR was misaligned to the pay policy so a choice was made to not be transparent;



11. Simon Cookson suggested that future decisions of this nature should be reviewed for the purpose of assurance. The BDO had not been able to state 'who/why/when' as the audit trail was not there;

12. Councillor O'Rourke asked whether the Secretary of State could come in and investigate the matter and was informed that this could be requested but there was no precedent for such a request;

13. Grant Thornton reported that their responsibilities for 2018/19 would be to consider BDO's recommendations and seek assurances that they had been adopted;

14. The Head of Legal Services reminded the Committee of their ToR; it was not for the committee to undertake detailed investigations into individual particular cases but to focus on what processes are in place to ensure good governance ;

15. Councillor Negus was concerned that it was not possible to make proper recommendations to the Head of Paid Service when there was information that was unknown;

16. The Committee noted that the Action Plan which went before Full Council set out what it was proposed to do in terms of each recommendation. HR Committee and Audit Committee recommendations would provide additional assurances;

17. Councillor Hickman asked for assurances that processes did not rely on any one individual. She also suggested that a timeline for recommendation implementation would be helpful;

18. The Director – Finance reminded the Committee that the review had been undertaken by the independent external auditor and commissioning a further investigation of the auditors work for assurance was not the correct approach. There needs to be an acceptance that BDO had acted independently and advised on the areas they considered required improvements and for other areas rectifications they would have sought were already in place.

19. It was agreed that the Chair with assistance of Legal and Democratic Services would compile a list of suggestions/recommendations to inform the Head of Paid Service's written update to Full Council in July.

#### **Resolved –**

**1. That the Resolution of Full Council on 19 March 2019 be noted;**

**2. That the following suggestions/recommendations be provided to the Head of Paid Service to inform his written update to Full Council in July:-**

**i) Should similar circumstances take place again officers involved would be subject to disciplinary action and Members/Mayor involved would be subject to a referral to the Monitoring Officer under the Member Complaints process;**



- ii) All decision making in relation to the employment of Senior officers to have a proper documented trail for audit purposes;
- iii) Internal Audit to carry out inspections of future decision making for assurances that processes were being followed and report back to the Audit Committee;
- iv) A timeline for implementation of recommendations be drafted.

## 18 Exclusion of Press and Public

It was moved and seconded to go into closed session and it was therefore:-

**Resolved – that under Section 100 (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.**

## 19 Senior Executive Remuneration Review.

### 18. Senior Executive Remuneration Review.

The Committee heard from the representative from BDO and a question and answer session followed.

No additional recommendations for the Head of Paid Service were put forward during the session to be included in the resolution following the open part of the meeting.

Meeting ended at 7.30pm.

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

