

# Bristol City Council

## Minutes of the Audit Committee

28 May 2019 at 2.00 pm



### **Members Present:-**

**Councillors:** Mark Brain, Olly Mead, Clive Stevens, Harriet Clough, Chris Jackson, Peter Abraham (substitute for Liz Radford)

Independent Members - Adebola Adebayo and Simon Cookson

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

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

## **1. Election of Chair 2019/20**

Councillor Brain was nominated and seconded. There were no further nominations and it was:-

**Resolved – That Councillor Brain be elected chair for 2019/20 Municipal Year.**

## **2. Welcome, Introductions and Safety Information**

These were done. The Director - Finance took the opportunity to formally report the appointment of Simbarashe Muzarurwi as Chief Internal Auditor following the departure of Jonathan Idle. He would begin at BCC at the end of July.

## **3. Apologies for absence.**

Apologies received from Councillor Radford with Councillor Abraham as substitute.

## **4. To note membership of the Committee**

This was noted.



## **5. Election of Vice-Chair 2019/20**

Councillor Stevens was nominated and seconded. There were no other nominations and it was:-

**Resolved – That Councillor Stevens be elected Vice-Chair for 2019/20 Municipal Year.**

## **6. Declarations of Interest**

The Chair declared that his wife had a blue badge.

Councillor Jackson declared that his parents and brother had a blue badge.

Councillor Clough declared that she had a blue badge.

## **7. To note the Committee's Terms of Reference**

It was noted that Whips had recently discussed the proposal put forward at the last meeting that Party Group Leads should not sit on or substitute on the Audit Committee in order to reinforce its apolitical position. There was some uncertainty about what had been agreed, and the committee resolved that it would recommend to Full Council that the TOR be changed to give effect to this proposal. The Head of Legal Services would follow this up.

## **8. To confirm the dates and times of meetings**

These following dates all at 2pm were agreed subject to them not conflicting with other key Council business:-

29 July 2019;  
16 September 2019;  
25 November 2019;  
20 January 2020;  
16 March 2020.

## **9. Minutes of Previous Meeting**

Minute 17 – Senior Executive Remuneration Review – There was some discussion regarding an additional recommendation concerning proper record keeping for decision making and it was agreed that this was a general point which should be pursued separately.



It was agreed that the Chair would send a letter to the Head of Paid Service with the Extract Minute attached for his consideration as part of his Update report to FC on this matter in July.

**Resolved – that the minutes of 26 March be agreed as a correct record and signed by the Chair.**

## **10 Action Sheet**

This was noted.

## **11 Public Forum**

There was none.

## **12 Draft Work Programme 2019/20**

The Deputy Chief Internal Auditor (DCIA) reported that the Programme had been populated with standard items and space had been left for additional items the Committee might wish to consider. The following points followed from discussion:-

1. Asbestos to be added to the WP;
2. Remove reference to the V& E Sub-committee and standards /complaints;
3. The application of the homelessness strategy would be considered in 19/20;
4. An Action Plan was being developed regarding the results of the Staff Survey and particular reference was made to Whistleblowing. It was reported that the progress report would be considered at the January meeting;
5. An Audit process review was scheduled to take place on Special Education Needs Assessments;
6. A training session had been arranged for the July meeting. The subject of all other sessions could be determined by the Committee. The Chair proposed and it was agreed that there be fewer but longer training sessions and asked that Treasury Management and Statement of Accounts sessions be arranged;
7. It was noted that CIPFA could provide independent training to members and the Committee welcomed this being arranged;
8. The DCIA was happy to meet with any new Committee members for any training needs.

**Resolved – That the Draft Work Programme for 19/20 be noted.**

## **13 External Audit - Update Report.**

The representative of the External Auditors, Grant Thornton introduced the report and highlighted the following:-



1. The handover from the previous External Auditor, BDO had not yet taken place as they have yet to issue their opinion 2017/18 accounts;
2. A new timeline has been agreed for the issue of the audit opinion due to the complexities and scale of the audit;
3. It was important to be realistic with the Committee regarding the 31 July deadline. As much work as possible would be carried out prior to that date and there was a requirement to publish on that date but there was no need to have the audit completed and that would be explained when published;
4. The risk assessment for Value for Money had been updated;
5. The fee for external audit work was set by the Public Sector Audit and was set out in a letter attached to the report.

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

#### **14 Draft Annual Governance Statement 18/19**

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

1. There was a statutory requirement on the Council to publish an Annual Governance Statement to accompany its financial statements;
2. It was the responsibility of the Audit Committee to review the statement to ensure that it accurately reflected the internal control, risk management and governance arrangements in place;
3. The Draft Statement had already been considered by the Corporate Leadership Board, Deputy Mayor and Statutory Policy Board.

The Director – Finance made the following additional comments:-

1. The Draft Statement was an in depth review of all areas of operation and extended to BCC Companies. She highlighted in particular:-
  - One City Plan – work taking place with partners to achieve our vision;
  - Capital Strategy;
  - Restructuring – this was mostly concluded for senior officers and would provide stability for staff;
  - Consistency of decision making through the Decision Pathway and the removal of unnecessary barriers to decision making.
2. She acknowledged that there were still some matters not addressed from the 2016/17 Statement but a lot had been achieved and it was a positive journey. It was planned to bring the Statement back to this Committee in July for a much more considered response.

The following points arose from discussion:



1. Simon Cookson highlighted the significant governance issues in the previous year and the matter of the delayed accounts. He found the External Audit part confusing as it was now Grant Thornton and not BDO. He felt the limited assurance opinion from the Chief Internal Auditor required more information in the statement. He also asked why there was no reference to the racial discrimination issue. The Director - Finance responded that more detail would be set out on the Limited Assurance for the July meeting. All other matters were being addressed through an Action Plan;
2. Councillor Stevens observed that there was now good financial control so it would be possible to provide more latitude in certain areas and less bureaucracy;
3. The Director - Finance that there would be shift from a focus on savings to capital project management. There was a balance needed between effective governance and getting things done;
4. Councillor Stevens stated that openness and transparency was not evident with the Forward Plan and believed it would be better to list aspirational items even if they slipped from the Plan. The Director – Finance agreed to feed this view back to the Mayor’s Office.

**Resolved – That the Draft Annual Governance Statement 2018/19 be noted.**

### **15 Annual Counter Fraud Report 2018/19**

The DCIA introduced the report and highlighted the breath of work undertaken and how it benefited BCC. She introduced the Audit Manager - Investigations who presented to the Committee the following points:-

1. 32 Council properties had been regained with a further 15 properties regained by the Estates Team with assistance from the Counter-Fraud Team;
2. Recoverable and notional savings of £3.9m had been identified;
3. Ongoing and weekly cost avoidance of £7000 for 2018/19 had also been identified;
4. There had been two employee dismissals for gross misconduct;
5. There had been two blue badge prosecutions;
6. Ongoing areas of work included an HMRC Pilot Exercise on data matching which could assist in identifying income and property ownership. Early indicators was this was a helpful exercise;
7. Fraud awareness training had been rolled out across the organisation.

The following points arose from discussion:-

1. There had been no payroll expenses fraud recently. It was agreed that details would be provided to committee members of the cases recorded in 2016/17 for information;
2. The new Internal Audit structure included increased counter fraud and investigative resource.

The Chair thanked the officer for her attendance.

### **16 Audit Committee Annual Report to Full Council (Draft)**



The DCIA reported that this would be considered by Full Council in July. The Work Programme and training sessions were driven by the member survey which had only received one response. It was agreed that she would recirculate it to members. She asked that the Committee send any comments on the draft report to her via email. It was also agreed that it would be beneficial to bring a half year report on this item and to add this to the Work Programme.

**Resolved – That the Audit Committee’s Annual report to Full Council be approved.**

## **17 Internal Audit Annual Report 2018/19**

The DCIA introduced the report and welcomed questions. The following points arose from discussion:-

1. There was concern that the number of red/amber indicators had increased from the previous year. It was reported that IA operated a risk based audit so the areas audited were predominantly ones of high risk and therefore likely to highlight issues;
2. The new procurement manager’s improvements had yet to be embedded;
3. The reasons for the increase in the number of Limited assurance conclusions was partially connected to greater transparency and the depth of scrutiny given to a number of areas. There would continue to be areas of weakness that would need to be addressed;

At this point Councillor Jackson left.

4. This was the third year of a limited assurance opinion. It was noted that there had been significant changes to the management structure and there was now a greater expectation on middle management. These changes would have had an impact on improvements;
5. In relation to risk exposure to Corporate Governance arrangements a review into the area of Homelessness which examined the effectiveness and progress of the implementation of a decision taken at Cabinet in May 2017 determined that there were good controls in place and a reasonable assurance could be concluded;
6. A review of Senior Officer decision recording had identified a number of recommendations to be implemented. On follow up it was confirmed that all recommendations had been implemented;
7. There had been a number of reviews concerning financial controls and a reasonable assurance had been concluded;
8. The Risk Manager had developed a good framework for corporate risk management and this initial work would be reported to the Committee in July;
9. Contract Management across the Council was good in some areas and not in others. It was very difficult to ensure consistent processes throughout;
10. A bribery and corruption review had concluded a reasonable assurance;
11. Recommendations implementation was at 60% which was a positive increase. Increased senior management engagement had assisted this;
12. There was a changed approach to the audit service with earlier and maintained engagement with its clients and the agreement of actions to achieve assurances. There was a need to change the culture so that IA was seen as a positive thing. It was noted that IA attended all Executive Directorate Meetings on a



quarterly basis and this was bringing about better engagement with the right officers without the need to cascade. It was hoped to speed up processes and cut down on follow-up work;

13. There had been an increase in income generated by the Audit team on 2017/18 and this was despite the loss of the Avon Fire and Rescue Service Internal Audit contract;

14. The Management feedback questionnaire had a response rate of only 34% which was a slight decrease on the previous year;

15. The Internal Audit revised structure, supported by the Director – Finance had resulted in the appointment of a number of posts;

16. Internal Audit (IA) staff had experienced some restriction on carrying out their work but this had not prevented an opinion being made. Some Senior Officers had not wanted their work area to be audited due to business continuity and multiple changes taking place. This was accepted by IA as a reasonable reason. It was agreed to report back to the Committee outside of this meeting regarding the service areas involved.

The following points arose from discussion:-

1. Simon Cookson observed that the Committee needed to support IA in achieving their work and suggested that the Audit Committee should approve the deferral of IA reviews and that this could identify any trends and was informed that the service did look for patterns. It was noted that this would be reported to the November Committee but in the future it might be helpful to append to this report;
2. It was reported that the overall opinion for the adequacy of governance, risk and control arrangements had dropped to Limited Assurance although in year recommendation implementation had increased.

**Resolved – That the Audit Committee receive and note the report as a source of assurance regarding the risk, control and governance environment across the council.**

## **18 Draft Statement of Accounts 2018/19**

It was reported that the Draft Statement would be published on 31 May and a detailed review would take place at the July meeting. The following points arose from discussion:-

1. It was noted that the General Fund would return to £20m and this would be reported in the Outturn report to Cabinet;
2. It was noted that there was a question over the provenance of the Renoir in Bristol Museum and it was agreed to report back on this although it was assumed that it was still in the ownership of BCC;
3. It was reported that all debt was chased whatever the value;
4. It was confirmed that £11.7m revenue costs from the Arena project represented the costs incurred on the scheme before the decision not to progress was taken;
5. There had been an underspend on drugs and alcohol services. There would be a detailed analysis of this in the outturn report to Cabinet;



6. Reference was made to PFI projects (as set out on Page 152). It was agreed to report back to the Committee regarding the apparent surplus on PFI projects but it was believed that no PFI project was actually in surplus;

7. It was suggested that for future reporting the Glossary of Terms might precede the accounts.

**Resolved - That the Committee note the draft, unaudited statement of accounts for 2018/19.**

Meeting ended at 4.30 pm

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

