

# Bristol City Council

## Minutes of the Audit Committee

25 November 2019 at 2.00 pm



### **Members Present:-**

**Councillors:** Mark Brain, Chris Jackson, Olly Mead, Harriet Clough, Clive Stevens, Adebola Adebayo and Simon Cookson

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

Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Service Manager Legal), Simba Muzarurwi (Chief Internal Auditor), Alison Mullis, Tony Whitlock and Michael Pilcher

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

These were made. Councillor Clough informed the meeting that she was wearing headphones but was able to fully participate in the meeting.

## **2. Apologies for absence.**

These were received from Councillor Radford.

## **3. Declarations of Interest**

The Chair declared, in relation to Item 17, that his wife held a Blue badge.

Councillor Jackson, in relation to Item 17, declared that family members held Blue Badges.

## **4. Minutes of Previous Meeting**

These were agreed as a correct record of the meeting.

**Resolved – that the minutes of the last meeting be signed by the Chair as a correct record of the meeting.**

## **5. Action sheet**



This was noted.

## **6. Public Forum**

None received.

## **7. Work Programme**

Councillor Stevens asked if a more in depth report on Whistleblowing could be considered for the January meeting and the Chair agreed to this.

## **8. CRR11 - Infrastructure Delivery Risk - Update**

The Committee heard from the Senior Programme Manager – Growth and Regeneration regarding the potential causes, progress to date and where action is on-going to manage and mitigate these causes.

Councillor Stevens was reassured that the risk rating had reduced from 14 to 7 through mitigation and this was echoed by the Chair.

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

## **9. Part 4 (c) Policy and Budget Framework procedure Rules**

The Director – Finance reported that areas of the Constitution were under review and the proposed changes to the Procedure rules were set out in the report. She highlighted the following:-

1. The separation of the Medium Term Financial Plan and Capital Strategy from the budget and instead incorporated into policies;
2. PPR2 had been refreshed with an emphasis on the timeline for publishing papers. E to H had been expanded in respect of the Mayor and Full Council's roles;
3. PPR3 had been refreshed to reflect current statutory requirements of budget setting and the role of Scrutiny in the budget setting process;
4. PBR4 set out the procedure for budget amendments;
5. PBR5 to be removed as performance measures were set out in the business plan.

The following points arose from discussion:-

1. The Chair observed that the proposals were well set out and appeared fair to all parties;



2. Councillor Stevens stated that the document accurately set out processes. He referred to PBR4 and asked whether an additional text on the order of which later budget amendments were taken could be added for clarity. The Director – Finance agreed to consider this;

3. Councillor Stevens referred to Paragraph 16 of the Procedure rules and suggested that an additional sentence be added to clarify that the budget setting meeting would continue until a budget was set.

**Resolved – That the revisions to the Policy and Budget Framework rules be endorsed by the Audit Committee for approval by Full Council.**

## **10 Administrative Changes to the Constitution.**

The Head of Legal Services introduced the report reminding the Committee that the Audit Committee had delegated authority to review the Constitution and the Monitoring Officer had delegated authority to make administrative changes. These changes related to financial regulations and employment procedure rules and the summary of changes was set out in the table.

The following points arose from discussion:-

1. With respect to paragraph 6.2.1 of the Financial Regulations it was confirmed that write-offs were reported twice yearly to the Audit Committee and not to Full Council;
2. Councillor Stevens referred to paragraph 7.1 and observed that the 'or' in relation to the '.....economic, social or environmental well-being of its area' suggested that it wasn't possible to have all 3. It was agreed that the Chief Accountant reconsider this wording.

**Resolved – That the administrative amendments to the Constitution be noted.**

## **11 Proposed Changes to Bristol City Council Procurement Rules**

The Head of Strategic Procurement and Supplier Relations introduced the report with the following key points:-

1. The proposals set out the outcomes from Constitution Review Working Group and were in line with legal requirements;
2. The proposed changes would empower decision making and bring the rules in line with the scheme of delegations;
3. Clarification was provided on when the rules did not apply.

The following points arose from discussion:-



1. Members considered and determined that the Recommendation should be amended to read 'That the report be referred to Full Council to consider the proposed changes to the Procurement Rules.....' and not as set out in the report;
2. There had been a lot of employee engagement in order to understand the challenges regarding compliance and the proposed changes to procedure rules would address the lack of consistency.

**Resolved –**

- 1. That the report be referred to Full Council to consider the proposed changes to the Procurement Rules and if appropriate approve;**
- 2. That Full Council consider delegation to the Director – Finance to undertake any necessary updates to finalise minor drafting of the Procurement Rules and/or supporting Procedure Rules, in conjunction with the Director – Legal and Democratic Services.**

## **12 Key decision definition in Constitution**

The Committee heard the following:-

1. There were various definitions of a key decision in the Constitution and whilst similar they were not consistent;
2. Clarity was given regarding revenue expenditure above £500,000 requiring a Cabinet decision;
3. Updated guidance would accompany the key decision definition.

The following points arose from discussion:-

1. The Risk Register did not include only Key Decisions as there were some decisions that were below the threshold but were still a risk and therefore should be considered by Cabinet;
2. It was confirmed that the Executive Director in consultation with the Cabinet Member would decide what was a key decision. It was noted also that the Head of Paid Service, Monitoring Officer and Section 151 Officer could deem a decision to be key.

**Resolved – That the definition of 'key decision' in the Constitution, as set out in Appendix 1, be recommended to Full Council for approval.**

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

The Committee heard from the representatives of Grant Thornton (GT) as follows:-

1. GT had made progress on areas where they were able to but were not able yet to complete the audit of accounts. They were disappointed it had not been able to complete but shared the commitment with



officers to work quicker and more effectively together. It was hoped to complete by Christmas and circulate to members and bring to the January meeting;

2. One of the matters preventing completion was a piece of detailed work on energy guarantees and period adjustment.

The following points rose from discussion:-

1. Officers had identified some disclosures in the financial statements that had been double counted and were therefore incorrect. As there were material balances they had to be reviewed;
2. It was confirmed that GT anticipated issuing an unqualified conclusion with respect to value for money.

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

#### **14 Internal Audit Charter and Strategy**

The Chief Internal Auditor drew the Committee's attention to paragraph 3.2 of the report which summarised the key changes to the Charter.

An Independent Member (AA) referred to the Performance Target Table at Page 124 and asked whether a 90% target was setting the team up for failure. The Committee was informed that the responsibility for achieving these targets rested with management but there was a need to ensure that agreed actions were implemented timely to achieve the improvements intended. Internal Audit plays an important role in ensuring that there was an appropriate infrastructure that enables effective monitoring and reporting of audit actions.

**Resolved – That the revised Internal Audit Charter and the Internal Audit Strategy 2020/23 be approved.**

#### **15 Internal Audit Quality Assurance Improvement Programme**

The Chief Internal Auditor introduced the report and highlighted the following:-

1. That IA was required to maintain a QAIP and report against it in its Annual Report to Committee;
2. The report set out the internal and external quality assurance mechanisms for the service;
3. In addition to the recommendations arising from the Peer Review, a new set of service improvement actions would be implemented to enhance the continuous delivery of an effective internal audit service in BCC.



The Independent Member (SC) remarked that this was a good, high level document and provided assurance to the Committee.

**Resolved – That the Internal Audit Quality Assurance and Improvement Programme be approved.**

## **16 Internal Audit Activity Report for Period 1st April 2019 to 31st October 2019**

The Chief Internal Auditor summarised the report as follows:

1. IA did not currently have the specialist skills to carry out IT assurance and for 2019/20 had therefore appointed a strategic partner to support IA in that regard;
2. There was a plan in place to address the staff shortages in the IA team enabling the delivery of the approved assurance plan;
3. Table 1 showed the Audit Reviews that were proposed to be deferred.

In considering the summaries of audit reports presented to the Committee, the following points arose from discussion:-

1. In relation to page 150, Bullet point 2 it was confirmed that 64% of corporate contracts sampled did not have measurable key performance indicators so it might not be possible to hold to account the performance of suppliers;
2. It was noted that progress reports had only been carried out for 57% of all contracts from the audit sample. The Director – Finance reported that there were a number of known weaknesses and areas for improvement have been identified including a delegated devolved contract management function. Strategic support had been commissioned to focus on longer term contracts and upskilling of staff through knowledge transfer. Workshops and training materials would be held for staff. Procurement was currently out to market for a Strategic Partner to support a relatively small procurement team for a local authority this size. She noted that there were opportunities for greater efficiencies if more spend was aligned to contracts;
3. It was noted that from the audit sample 40% had been spent 'off contract' so there would be a focus on bringing spend into categories where economies of scale could be made. External consultants would also be reviewing PFI contracts. In summary it was confirmed that there was a whole programme of work required to bring about these improvements and it would take time;
4. In response to a question as to how the Committee could support officers in this work the Director – Finance replied that the placement of adult social care was out of the remit of the Corporate Procurement Group and was done by a panel meaning that there was a disaggregated process for placement decisions. It was agreed that the Resources Committee would be best placed to add value by probing this arrangement and that Audit Committee would refer the matter to the Chair of Resources Scrutiny Commission for potential scrutiny.



**Resolved –**

- 1. That the work of the Audit Team during the period 1 April 2019 to 31 October 2019 be noted;**
- 2. That the proposed amendments to 2019/20 Audit Plan be approved;**
- 3. That, in relation to placements in adult social care, the matter be referred to OSMB Leads Meeting for consideration.**

**17 Counter Fraud and Investigations Team - Counter Fraud Update Report**

The Audit Manager introduced the report with the following key points:-

1. Recoverable, on-going and notional savings in excess of £2m have been identified to date;
2. 19 council properties had been regained;
3. There had been 21 corporate fraud referrals;
4. There had been 22 council tax reduction referrals;
5. There had been 340 requests for data from Dept for Work and Pensions;
6. The E-learning training module regarding fraud had been rolled out to all staff at BCC;
7. There was ongoing work with housing benefit and debt recovery staff. All new staff within those teams were provided with training;
8. The Key Amnesty campaign had been successful. Two tenants had surrendered their tenancy and 23 cases were still under investigation;
9. Data match and data analysis drove the work of the team. The pilot exercise with HMRC was ongoing;
10. The Anti-Fraud, Bribery and Corruption Policy has been reviewed.

The Committee agreed the recommendations and it was therefore:-

**Resolved –**

- 1. That the Audit Counter Fraud Update for the period April to October 2019 be noted and;**
- 2. That the Anti-Fraud, Bribery and Corruption Policy be endorsed.**

**18 Audit Committees Half Yearly Report to Full Council - Draft**

The Deputy Chief Internal Auditor reported that a previous Audit Committee workshop had agreed that more timely reports to Full Council might enhance arrangements and it agreed to report half yearly. The Committee approved the report subject to reference of the key work undertaken by the Value and Ethics Sub-Committee.



**Resolved - That the draft half yearly report to Full Council be approved subject to the inclusion of the key work of the Value and Ethics Sub-Committee.**

## **19 Treasury Management Mid-Year report 2019/20**

he following key points arose from the introduction:-

1. There had been no changes to the Treasury Management Strategy;
2. BCC had significant cash reserves so there would be no need to borrow in what was currently a volatile market. There would be a need to in the future in order to support the funding of the existing and future Capital Programmes;
3. BCC would continue to consider alternative sources of borrowing in the market place as other providers were now expected to be able to offer cheaper offers of finance.

The following points arose from discussion:-

1. Councillor Stevens suggested whether BCC should consider investing its cash reserves for longer than one-year and was informed that BCC is regularly reviewing the age profile of its treasury investments.
2. Officers would draft a report for the Cabinet member – Finance, Governance and Performance regarding the possible inclusion of carbon neutrality as one of the ethical issues in the TM Strategy.

**Resolved – That the Mid-Year Treasury Management for 2019/20 be noted.**

## **20 Exclusion of Press and Public**

**Resolved – That the Press and Public be excluded from the meeting.**

## **21 Exempt Minutes - Internal Audit Assurance Summary - IT Transformation Programme (ITTP)**

These minutes were agreed as a correct record of the meeting.

**Resolved – These minutes were agreed as a correct record of the meeting and signed by the Chair.**



Meeting ended at 4.10 pm

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

