

# Bristol City Council Minutes of the Audit Committee

20 January 2020 at 2.00 pm



## **Members Present:-**

**Councillors:** Mark Brain, Nicola Bowden-Jones, Chris Jackson, Olly Mead, Liz Radford, Harriet Clough, Clive Stevens, Adebola Adebayo and Simon Cookson

## **Officers in Attendance:-**

Simba Muzarurwi (Chief Internal Auditor) and Tony Whitlock

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

These were done.

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

None received.

### **3. Declarations of Interest**

None declared.

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

These were agreed as a correct record.

**Resolved – That the minutes of the last meeting be agreed as a correct records and signed by the Chair.**

### **5. Action Sheet**

This was noted.

### **6. Public Forum**



None received.

## **7. Work Programme**

The Work Programme was noted.

## **8. Member Code of Conduct.**

The Director – Legal and Democratic Services introduced the report and highlighted the key changes to the document. It was noted that the document had previously been considered by members at a Workshop. There were no questions and it was:-

**Resolved -**

**1. That the revised Code of Conduct be endorsed by the Audit Committee.**

**2. That the adoption of the revised member Code of Conduct and it coming into force following the May 2020 elections be recommended to Full Council by the Audit Committee.**

## **9. External Audit - ISA 260 Report**

The representative from Grant Thornton (GT) introduced the report and the following points were made:-

1. The accounting treatment of the parent companies and in particular Bristol Energy had been very complex and had required a specialist, technical team to work on them;
2. GT was awaiting a response from BCC regarding the accounting treatment as it was GT's view that it should be on the Balance Sheet;
3. As it was a year from the Balance Sheet and no guarantees had yet been called it was considered that the likeliness of guarantees now being called was low;
4. GT waited for disclosures in order to clear off sample items but these were not significant issues for the Audit Report.

The following points arose from questions and discussion:-

1. The final Audit Report should be completed within a few days;
2. The Chair observed that the McCloud Sergeant ruling meant an increased liability on the pension fund of £52m which was relatively small and asked how significant an impact was it on BCC. He was informed that in terms of accounting treatment it would be recognised as a liability based on standards. The impact



would be an increased contribution to pension funds but the impact on an individual had yet to be decided;

3. Councillor Stevens noted that delay over to accounting treatment of the parent company guarantees into the new year and therefore questioned whether there would always be a delay to closing the accounts meaning they were always out of date. He was informed that the Council would likely always have parent company guarantees whilst there were parent companies and that part of the delay this year was due to the implementation of a new accounting standard The Director – Finance added that there would always be collateral requirements which would be annually reviewed and brought into the accounts in line with accounting standards. It would, however, be difficult to put a value on it however we would still expect them to be concluded within the planned timescales for audit and shouldn't cause delay in the future;

4. Regarding journal entries, it was noted that these were open to fraud if not monitored. GT had not identified through their testing. It was aimed to have a policy in place for next year's accounts. There was such a large volume of journals it was not feasible to check each one. Key areas of risk were identified and journals were checked around the threshold of £25,000. It was confirmed that these journals were transfers within the organisation and not exiting it.

**Resolved - That the Audit Report for 2018/19 and the action plan agreed by management be noted.**

## 10 2018/19 Statement of Accounts

The Chief Accountant reported the following:-

1. Bristol Holding Company had been incorrectly listed as a debtor so there was a revised Balance Sheet which would be electronically circulated to the membership;
2. There were no material changes to report;
3. It was requested that the Committee approve the accounts whilst noting the previous comments of GT and outstanding issues being finalised.

The following points arose from discussion:-

1. Councillor Stevens referred to Page 125 – Salaries. He observed that a Director was listed this year but had not been declared the previous year and was informed that the process for agency staff had been reviewed and updated;
2. Councillor Radford referred to Page 208 which stated that previous Director of BE had been there for four months when it had been longer than that. Officers agreed to follow this up;
3. The final accounts would be circulated to the Committee and it was agreed to delegate the sign off of the accounts to the Chair.

**Resolved –**

- 1. That the Statement of Accounts for the year ended 31 March 2019 be approved and;**



## **2. That the sign off of the Accounts be delegated to the Chair.**

### **11 Whistleblowing Arrangements Update.**

The Deputy Chief Internal Auditor reported the following:-

1. The responsibility and management of Whistleblowing is in the process of being transferred from HR to Internal Audit;
2. The annual review of Whistleblowing arrangements had provided a reasonable assurance that they were operating effectively. Two of the four agreed management actions had been implemented;
3. Exit letters had been updated;
4. Employees could seek external assistance if not satisfied with the internal investigation;
5. Steps were being taken to enhance employees' confidence to report issues;
6. Number of whistleblowing cases had not increased from the previous year.

The following points arose from questions and discussion:-

1. Councillor Stevens stated that he had spoken to staff informally and there was concern that the organisation could take disciplinary action against a whistle-blower. He noted that the Code of Practice on Investigations had been amended in April 2018 to remove the requirement for BCC to supply all the evidence in relation to allegation/s against an employee. The Chair added that it was important to protect staff from Managers using other means of disciplining staff;
2. The Head of Human Resources responded that the change to the policy was not related to Whistleblowing but was related to evidence being considered during a disciplinary investigation. There would be full disclosure of all information at a disciplinary hearing. The Director of Legal and Democratic Services added it was incumbent on the authority to have good evidence at a disciplinary hearing;
3. Councillor Jackson suggested that the outcomes of exit interviews be analysed for future consideration and highlighted the possibility of false allegations because ex-staff had nothing to lose;
4. The Director – Finance stated that last year's staff survey had asked specific questions about whistleblowing which had shown areas for improvement. This year's survey would test if things had improved. The results would be shared with members and performance tracked;
5. The Chief Internal Auditor acknowledged that there could be a difference between the perception and the reality of an allegation. It was important to communicate effectively and ensure that everybody was treated fairly. He highlighted that an external organisation would be commissioned to undertake the annual review of whistleblowing arrangements now that IA had responsibility for the function;
6. Councillor Stevens was reassured by Councillors' interest and proposed the Code of Practice on Investigations wording be amended to read 'in most circumstances will be provided with evidence regarding the allegations' in order to provide the confidence to staff to Whistleblow. The Head of HR was happy to consider this and agreed that an update would be provided to the members of the committee in advance of the March meeting;



7. Councillor Mead noted that there would be an anonymous Whistleblowing hotline in place by 31 March. He believed that Whistleblowing should be the last resort by making sure there were other effective measures in place. He welcomed the good work done so far. The Director Finance reported that there were mechanisms in place to assess issues such as Risk Assessments and Stress surveys in relation to pressure and workloads so that issues could be tackled before they became problematic;
8. The Director – Finance reported that that the IA budget had been increased in order to provide sufficient resources to support the function going forward.

#### **Resolved –**

- 1. That the outcomes from the annual review of Whistleblowing arrangements be noted, and;**
- 2. That the actions being taken to enhance the transparency and staff confidence on these arrangements be endorsed.**

#### **12 Annual Review of the effectiveness of the system of Internal Audit**

The Director – Finance introduced the report and highlighted the key issues of the service as follows:-

1. There was a need for adequate resources and appropriate skills in order to deliver the IA Plans. Vacancies continued to be a challenge and the issue was being closely monitored;
2. The organisation had changed its IA requirements. There was a need to give greater embedded assurance to be early in the process rather than at the end;
3. The implementation plan was being followed through and there were continuous improvements;
4. Performance of IA had been delivered in all key elements;
5. Engagement exercises had taken place with all management teams regarding the improvements to IA and they had been well received;
6. There was confidence in the AGS process.

The following points arose from questions and discussion:-

1. The Chair acknowledged that the service had been through a lot of change and was always seeking to improve. He had the greatest confidence in its ability to deliver and looked forward to vacancies being filled;
2. Independent Member Simon Cookson reported that skills and retention was an issue in his organisation and it was important to look at the gaps and consider what was retained and what was let go. The impact of recommendations over time and the difference they made was an important measurement. The Quality Assurance Improvement Programme ensured that there was consistent quality underpinning all the IA service provided and this provided him with encouragement;



3. The Director – Finance added that going forward the resources within IA would be more effectively targeted with the needs of the business and that all assurance arrangements would be mapped in order to avoid duplication.

**Resolved – That the findings and conclusion of the annual review of the effectiveness of internal audit for 2019/20 be noted.**

### **13 Corporate Risk Management Arrangements and the Q3 2019/20 Corporate Risk Report Update.**

The Chief Accountant summarised the key points of the report and it was noted that there was embedded risk management practices and there was a focus on implementing actions that helped to reduce risk and help to achieve the Corporate Strategy.

The following points arose from questions and discussion:-

1. Councillor Stevens noted that the Temple Island Development had a 250 year lease and was in a flood area and he therefore questioned why such a long lease was taken when the site would have to be kept above water. The Director – Finance replied that this was a very technical approach which the Environment Agency would need to respond to;
2. It was reported that there were improvements in contract management with procedural rules being refreshed, revised internal arrangements implemented and contracts being tracked. The model had been devolved from a centralised arrangement and additional support had been commissioned to embed the arrangements;
3. The Committee considered what deep dive risk they wished to review next and it was agreed to look at Flood Risk.

**Resolved – That the progress made on the Council’s Risk Management arrangements and the Q3 2019/20 Corporate Risk report Appendix A be noted.**

### **14 Exclusion of Press and Public**

**Resolved - That under s.100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item(s) of business on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in paragraph(s) 3 (respectively) of Part 1 of schedule 12A of the Act.**

### **15 Internal Audit Assurance Summary - IT Transformation Programme**



The Committee considered the IA report and heard from the Director – Digital Transformation and the independent IT Auditor. A questions and discussion session followed and it was:-

**Resolved – That the findings from the Internal Audit follow up review be noted.**

Meeting ended at 4.20 pm

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

