

Bristol City Council Minutes of the Audit Committee

30 July 2020 at 2.00 pm



Members Present:-

Councillors: Chris Jackson, Olly Mead, Liz Radford, Clive Stevens, Tim Kent, Mark Brain and Simon Cookson

Officers in Attendance:-

Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer), Alison Mullis, Tony Whitlock and Michael Pilcher, Chris Holme, Helen Davis, Matt King, Andrea Hobbs, Jackson Murray (GT), Jon Roberts (GT),

1. Welcome, Introductions and Safety Information

The Chair welcomed Members to Committee.

2. Apologies for absence.

Apologies were received from Adebola Adebayo. Simon Cookson joined the meeting at 3pm.

3. Declarations of Interest

Cllr Mark Brain declared that his wife holds a Blue Badge.

4. Public Forum

Members noted a Public Forum Statement from Cllr Tim Kent "Statement of Accounts 18/19 – Exit Packages."

5. Minutes of Previous Meeting

The following wording should be added to the 25 June 2020 Audit Committee:



“Audit committee is a key part of the Authority’s governance process and must have potential access to all papers without restriction. It is inappropriate to restrict access or make access more difficult than would be the case for other members of council” the discussion was also very clear that meant equal access to that of scrutiny and cabinet.

6. Action sheet

Discussion notes:

- CS is happy with answer on action 2, however he has not received an answer on action 1. Will need to be some digging into the May minutes as we need to be sure on the question. It was related to a summary of what the powers were.

ACTION DM to follow up with NR.

- Some members did not realise that Non-Executive members have votes only in certain circumstances. We need to consider whether NEDs should have voting rights in future.

7. Work Programme

- Members would like an update on whistleblowing. This can be covered in the half year report in November.
- AC looks at risk differently to scrutiny. AC needs to check that systems are working and that figures are correct. The corporate risk register comes as standard, we need to align the work programme for the year with scrutiny commissions.
- AC members should take some time to think and identify a risk to investigate for a deep dive. Hopefully there will be some consensus on what to consider. This will also give enough time to organise the relevant data.
- Members raised concerns about the amount of items on the agenda and suggested an additional meeting end August to agree the accounts.
- Members will vote on the accounts after drafts are published following external auditor checking.
- We are also waiting on accounts for Bristol Energy and Bristol Waste.

8. Q4 Corporate Risk Report

MP introduced the report and highlighted the following points:

- Note the improvement of risk being embedded across the organisation. There is a recently recruited risk team to progress this work. Progress is good but full implementation is expected to take several years.
- Risk is not part of induction and training. We are rolling out e-learning, member training, assessments and a risk database to record and monitor.
- There is a critical financial framework risk related to Covid-19 impact on finances and uncertainty on the dependence of funding.
- There are 3 new risks, representing housing, climate strategy and the joint special plan.



- One risk improving – the clean air plan.

Discussion notes:

- The Chair recommended that members attend the briefing on risks related to Colston Hall if possible.
- Covid has provoked rapid changes in the environment and legislation. This includes providing economic support to businesses and individuals. There have been more attempts at fraud, so we need to be diligent.
- There is a risk on the non-delivery of the Joint Spatial Plan; however this was terminated in 2019. This entry represents the development and delivery of a new JSP, but the wording should be clarified. A draft plan should be ready in Q1 2021.

ACTION: MP to discuss changing the wording of the JSP risk with officers.

- Members believe that Special Educational Needs should be included on the risk register considering the loss of judicial review and management of Educational Health and Care Plans.

ACTION: DM to talk to the Director of Children Services about SEND in their Directorate level risk management plan and whether it can be added to the CRR.

- Members emphasised the need for staff to have the relevant commercial experience and training to manage the long-term commercial product risk.
- LR asked whether the one-off payment to social workers in Adult Social Care was also happening in Children's Services.

ACTION: DM ask Children's Services to write to LR re: one-off payment to social workers

- Members asked why business continuity progress had stayed the same considering the good work during the Covid crisis. This is because the report reflects end of Q4. The next report should show improvement.

9. Internal Audit Annual Report 2019/20

SM introduced the report and highlighted the following points:

- The Chief Internal auditor is required to report on the effectiveness of internal controls. This data arises from completing work in the approved annual plan and other sources of assurance. Limited Assurance can be given that in 2019/20, the Council's systems of internal control, governance and risk management were adequate and operating effectively.
- While some areas need improvement, there is a positive trajectory happening, especially with regards to increased collaboration between departments and senior managers to address long standing issues.
- CLB have acknowledged the limited assurance given and have stated their commitment to further analyse and identify root causes rather than treat symptoms.
- There are notably good results from counter -fraud work.

Discussion notes:

- Members thanked SM for a concise and easy to understand report.



- Members expressed concern about the 47% limited assurance figure on internal audit reports, but noted this is improving for the first time in 4 years.
- The Audit Committee effectiveness survey was discussed. This is usually completed in March and informs the Committee's annual report to full council, but was not done this year due to Covid related issues. It will be completed in time to inform the Committee's half year report. The survey does not impact the Internal Audit Annual Report.
- There were no significant issues on documentation compliance.
- Internal Audit currently has 4 staff vacancies. IA is using fixed term workers to cover this gap, as they are more cost effective than agency temps. A long term model change is needed to solve this.
- The market is challenging, but due to size of the organisation and its ambitions, we should be able to attract the appropriate talent. Generalist auditors are OK to source, but specialists are hard to find and attract.
- Members have previously asked for a list of longstanding outstanding issues, however most of these have been cleared. There is still a need to embed the audit reporting process properly.

10 Annual Fraud Report 2019/20

AH introduced the report and highlighted the following points:

- The report shows some successes and key initiatives. This includes £1.2m in recoverable savings that have been identified. We are achieving target in tenancy fraud and had the first ever prosecution of direct payment fraud.
- There is a whistleblowing update in this report, IA is now responsible for this.
- The distribution of government support in response to Covid 19 has been a key area of work for the team with pre-payment fraud checking done where possible. There are some expected financial errors and fraud in Covid funding. Mitigation measures are detailed in the report. There will be a further update in 6 months where this data will be more apparent.
- The team is recruiting a data analyst and expect to develop a fraud data hub this year.

Discussion notes:

- Members congratulated the fraud team for being shortlisted for the CIPFA "Fighting Fraud Locally" award.
- There was a discussion about whistleblowing. Now that whistleblowing is held by Internal Audit, there is a better perception of independence and transparency. IA reports the outcome of whistleblowing reports to show they are being taken seriously. There are around 7-9 instances per year. A more detailed report on whistleblowing will be presented to the committee in future.

11 Audit Committee Annual Report to Full Council

SM introduced the report and requested comments and amendments from members:

- It would be helpful for the report to have examples from officers concerning improved controls, governance and risk management.



- Members asked for Audit Committee's right to access documents to the same level as Cabinet and Scrutiny to be included in the Terms of Reference. This is so AC can provide accurate assurance to any Administration. Members understand this would require amendments to the ToR and Constitution.
- At 4.14, it states that the Statement of Accounts was signed outside the deadlines. This is not correct, internal deadlines were late but the statutory deadline was still met.

12 Bristol Holding - Audit & Risk Committee Assurance Report

CH introduced the report, which shows assurance on Bristol Holding's risk, the two audit committees in Bristol Energy and Bristol Waste, the Terms of Reference and embedding risk management in all BCC companies.

Discussion Notes:

- Members expressed concern that the Holding Company's Audit Committee only has 2 members and has only met twice so far. The companies present a considerable risk to the Council, so Audit should be taken seriously. Members were informed that there will be three members at the next meeting and they will be held quarterly.
- Members asked about the overall governance structure. The Mayor or Deputy Mayor delegates the role for executive function on behalf of the Council. There is also a Shareholder Group which has the S.151, Head of Paid Service and Monitoring Officer. The Holding Company comes to the Shareholder Group to give advice.
- Members asked what training the Mayor / Deputy Mayor had received for this position. An induction programme was being developed with Democratic Services for delivery after the election, but the Covid pandemic has prevented this. It will be delivered in future to demonstrate good governance.
- Members recommended that officers responsible for Holding Company Audit have relevant commercial experience and/or training.
- BCC Internal Audit is commissioned by Bristol Holding Company to do their Auditing. The scope of these audits is a management decision for BHC and as such, Internal Audit does not provide an annual opinion over the company operations.

13 Draft Annual Governance Statement 2019/20

AM introduced the report and highlighted the following points:

- The report is a reflection of risk and control arrangements in place. Senior managers and Cabinet have seen it. Feedback is now required from AC who need to ensure it is reflective of the Committees view of governance arrangements.
- Section 2 of the statement provides an opinion on the governance arrangements
- Section 3 of the statement shows the key governance arrangements
- Section 4 shows improvements.
- Section 6 details the review process that was undertaken to inform the statement



- Section 7 details the significant governance issues that have been identified as a result of the process together with actions being taken to address them.
- The Statement needs to be up to date when it is considered and signed, so Covid has to be reflected.

Discussion notes:

- Members thought that the wording of 2.3 was too soft and did not reflect the seriousness of 47% successful audit figure.
- There were queries about institutional racism work at the council. This had been identified as a significant governance issue in the 2018/19 AGS and an update on all significant governance issues for 2018/19 had been received at an earlier AC. However, the systemic racism work stream is a separate one and is included as a significant governance issue in the 2019/20 AGS. Cabinet and Full Council have received updates on the inclusion work being done at BCC.
- It is good to have visual data, but the chart on page 12 needs resizing and cleaning up.
- On p.15 in the pink section it refers to the risk committee in Bristol holdings, this is insufficient at the moment as per earlier conversation.
- 6.15 on the issue of Ofsted, it gives the outcome but not actions. The report is claiming strong improvement on SEND, but increased monitoring does not mean improvement. There needs to be more evidence of actions / decisions / results.
- The Annual Governance Statement needs to be current to 30 November 2020, so some information is predictive. It is also subject to change until the deadline date. It will need to be agreed internally and published for inspection 31 August 2020.
- Members requested further time to consider the draft AGS as it was published late. It was agreed that comments could be provided to AM.

ACTION OH arrange additional Audit Committee meeting date for late August.

14 Draft 2019/20 Statement of Accounts

MP introduced the report and highlighted the following points:

- This report is for comment rather than approval. As the report was published late, officers are happy to receive member feedback later via email.
- Covid restrictions have meant the statutory publication deadline has been moved from the end of May to the end of August. The deadline for audited accounts is end of November.
- The valuation of Bristol Holding Company is outstanding. Decision on Bristol Energy is to treat it as a post balance sheet event. We are still gathering additional information about BCC's value of BE at the time, which will impact on accounts.
- Without full detail, p.13 shows income / expenditure and key items on the balance sheet as of 31 March. Long term investments are increasing, investment in capital especially HRA dwellings. BCC took out £30m loans, but held more money in cash accessible funds. Short term investment was the same return.



Discussion notes:

- P.80 the parent company guarantee was valued at £15m previously, £5.4m now. This is due to a change of exposure over the past year.
- P.94/95 lists transactions between BCC and the companies. Is there any detail on transactions between the companies themselves?

ACTION MP to find details of transactions between the companies.

- Item 13 remuneration shows a large cost for an interim project manager, but the project is not explained. AC will need detail of the project to determine value for money.

ACTION DM to find details of the project which had a high cost interim project manager.

- For anyone paid above £150k, BCC publishes a name and title. For individuals over £50k and with statutory responsibilities / senior role, a job title is published. Some staff are paid over £50k but are not in a senior role or with statutory responsibility.

ACTION MP to circulate definitions of senior / statutory staff that require publication of remuneration.

15 Grant Thornton 19/20 Audit Action Plan

JR introduced the report and highlighted the following points:

- Covid has some impact, but may not show where you expect. Value for money audit next year will be more Covid related.
- Zoom meetings mean progress has continued and the logistics of online meetings are improving. Government extensions to deadlines are useful. However, it does take longer to get things done as staff cannot work in teams or train juniors. The technology is good, but being in the same physical place is useful. Will need to do some work face to face.
- This is the second year of GT reports so intelligence is better than the first year.
- There will be complexity about Covid technical aspects. P.150 highlights areas of risk and each of these will contain a Covid section. E.g. accounting journals: BCC has closed accounts using remote working, so journals may be bypassed. Journals may be used to override management controls, so that could be an issue.
- Valuation of property and pension, Covid will impact on all statements in these areas. Property valuations are uncertain in this environment.
- Financial sustainability is forward looking.
- BE appears a number of times in the plan: at p148 as a key matter; at p158, valuation of long term investment. Group approach at p149; and on value for money at p158 where there is a risk on governance arrangements for the companies.

Discussion notes:

- Improving the consistency of audit committee professional scepticism. The Brydon review encourages Auditors to be suspicious (i.e. beyond sceptical), especially in judgement of estimates / valuations. We enhance scepticism by bringing in experts to assess treatment of certain areas, e.g. actuary. Also by gathering key data from other bodies to challenge assumptions.

16 Grant Thornton 19/20 Audit Progress Report



JM introduced the report and highlighted the following points:

- The report shows audit progress from the Statement of Accounts in 18/19 to 2020.
- There has been a minor update to reflect the monitoring officer salary reduction.
- AC has the plan for 19/20 audit. Final accounts will begin next week. Value for Money analysis will be more about changes coming in 20/21.
- Deadline for housing benefit subsidy claim is now Jan 2021.

RESOLVED Committee confirmed that the Letter of Representation remains current at 30 July 2020

RESOLVED the Committee were aware of the adjustment in the final version of the accounts to the interim Monitoring Officer's remuneration– which was also set out in the Statement of Accounts covering report at the 25 June 2020 Audit Committee

17 Procurement Rules Update

MK introduced the report, which is a summary of the 11 key changes within the procurement rules.

Discussion notes:

- It used to be the case that for contracts up to £25k it was necessary to get 3 different quotes, but this has changed to one or more. Members asked whether this applies to community groups. This might be related to grant awards or vary by project and outcome.

ACTION DM to check on VCSE quotation rules.

- 60% of procurement contracts don't have measureable outcomes, members hope that the new rules will go some way to remedy this.
- AC will have a deep dive on contracts and procurements in future.

Meeting ended at 5.15 pm

CHAIR _____

