

# Bristol City Council

## Minutes of the Audit Committee

27 September 2021 at 2.00 pm



### **Members Present:-**

**Councillors:** Gary Hopkins (Chair), Tony Dyer (Vice-Chair), Zoe Goodman, Katy Grant, Jonathan Hucker, David Wilcox, Geoff Gollop (substitute for John Geater), Adebola Adebayo and Simon Cookson

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

Simba Muzarurwi, Denise Murray, Michael Pilcher, Tim O’Gara, Phil Eames, Fiona Lester, Mark Kempt, Mark Williams, Christina Czarkowski-Crouch, Jeremy Livitt, Ed Smith

**Other Attendees:** Jon Richards, Janice Beale, Glenn Hammons and Melanie Watson

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

The Chair welcomed all parties to the meeting. The Committee noted the emergency evacuation procedure for the Council Chamber if required.

## **2 Apologies for absence.**

Apologies for absence were received from Councillor John Geater (Councillor Geoff Gollop substituting), Councillor Farah Hussain and Councillor Marley Bennett.

## **3 Declarations of Interest**

Councillor Geoff Gollop declared an interest in relation to Agenda Item 8 (Report Concerning Governance Arrangements for Bristol Energy). He indicated that he had been a member of the Cabinet from 2012 to 2016.

## **4 Minutes of Previous Meeting held on Monday 26th July 2021**

RESOLVED – that the minutes of the above meeting be approved as a correct record and signed by the Chair.



## 5 Action Sheet

The Committee noted that Alison Hurley and Ann James had not yet provided updates in relation to Minute Number 17 External Inspections of Council Services (Action from 24<sup>th</sup> June 2021 Meeting).

**ACTION: Oliver Harrison to request updates provided for next meeting**

## 6 Public Forum

It was noted that Public Forum Statements and Questions would be considered at the beginning of the respective item to which they related.

## 7 Work Programme

The Committee noted the Work Programme for future meetings.

## 8 Report concerning Governance Arrangements for Bristol Energy

The Committee considered a report concerning Governance arrangements for Bristol Energy.

The Committee received questions and answers from each of the following members of the public and Committee Members. Details of supplementary questions to the Chair and answers provided by him and other attendees are set out in each case:

### **Q2 – Councillor Jonathan Hucker**

Q: Since there seems to have been an inadequate cash flow provision for Bristol Energy Company, was there any previous analysis of when the company would run out of cash? Why was there no cash flow statement?

A: Jon Roberts – Grant Thornton UK

Information had been provided on the technical arrangements. Cash flow information had been provided as part of the analysis of the investment into the company.

The Chair commented that it appeared cabinet was fully aware of the situation and it would have been helpful if it had been. Whilst future forecasting may have been known to some officers in Management, the governance requirements may not have been.

### **Q4 – Councillor Geoff Gollop**



Q: Do you agree that the total loss which had occurred as a result of the situation with Bristol Energy should be relevant to stakeholders?

A – Chair: Yes, they are. In addition, details of CEO staffing costs should be included.

Q: Do you agree that the full write off costs should be included in 2021 accounts?

A – Chair: Whilst the auditor costs were not currently included, they should be if they are not debarred from doing so.

Q: Will you let members of Audit Committee ask if there is certain information not inserted in the accounts before they are finalised?

A – Chair: Yes. The additional recommendations contained in the auditor’s report should be put before Full Council for approval, together with a feedback mechanism to ensure that the recommendations are adhered to.

### **Q5 – Clive Stevens**

Q: In view of the importance of scrutiny operating properly with appropriate checks and balances, did Bristol have a good enough scrutiny system prior to the mayoral model?

A: It largely depended on what the relationship was like between the Cabinet (including the Leader) and Scrutiny. It was noted that scrutiny only worked if the information was available to it.

The Committee also noted the following statements concerning this Agenda Item:

#### **Statement Number 1 - Clive Stevens**

#### **Statement Number 2 – Councillor Geoff Gollop**

The Chair then asked Jon Roberts and Janice Beale (Grant Thornton) to present the report.

Jon Roberts made the following comments:

- Grant Thornton might have considered that the report should be a PIR (Public Interest Report) if they did not believe the issues had been sufficiently addressed
- The report had reflected on a number of key areas and had provided recommendations for follow up work
- The recommendations had already been considered by Full Council and there would be an update on proposed recommendations when this item was reconsidered at future meetings
- We had taken advice early in the process and had made the following findings (1) the options and appraisal process was not clear and strategic (2) The interaction between the energy services and



energy supply process was not clear (3) scrutiny and the call in process could have been involved earlier

- Final Stage – There had been a marked transformation in the quality of the paper trail. Advice had been given, third party experts had been brought in and the subsequent orderly dissolution of the company was set out. Grant Thornton believed this had been properly done
- In the early stages of the discussion, the narrative of Bristol Energy had been explained

Committee members then made comments on the report as follows. Jon Roberts, Jeannette Beale and the Service Director (Finance) responded as indicated to questions and issues raised:

- There had been informal discussions concerning the Bristol Energy Company in 2010 and 2014 which had discussed the establishment of energy services and energy supply. However, the final establishment had only dealt with the supply side. It was not clear why this was the case

Janice Beale: The majority of the advice had looked at the model of the Holding Company and supply. She was not aware that the issue of a supply company had been considered

- There had been a Cabinet decision in 2010 to assist in micro regeneration in order to ensure a more efficient service and create a mechanism to help control energy bills. This allowed tariffs to be fed into the system. However, this disappeared a few years later. There needed to be an explanation as to why this had occurred
- The sale of Bristol energy had been considered in 2017. More detail was required concerning this

Jon Roberts – Whilst this had been considered as a possible option, it had been regarded as a last resort

- The liquidation of the Company had led to Recommendation 1. Until this is completed, the cost will not be known. A timeframe for this was required and what would be reconsidered at the November 2021 Audit Committee meeting

Jon Roberts and Service Director (Finance) – The accounts would be as explanatory as they could in the circumstances. It was noted that the accounts were unlikely to be completed before March 2022. The report outlined the indemnity situation and the final position would be shared with the public

- Any business which continued to lose money would run out of cash. It was disappointing that the issue of overheads had not been addressed as part of the attempts to turn a loss making company into one making a contribution. It seemed as if social value had been used as a reason not to take this into account
- Although it was not currently a Public Information report (PIR), it was important to make a commitment and set a deadline for releasing information to the public since this was such a high profile issue. It was noted in the report that there had been difficulties obtaining information



Jon Roberts and the Service Director – Finance: The Committee needed to act in relation to sensitive information and build evidence sources. As at present, there was £42 million drawn down and no further information was yet available until further work had been carried out.

Recommendation 3 set out work that had taken place with consultants and a full audit trail. However, the period in question was 10 to 15 years and the corporate memory going back this far was limited. All activity would be tracked and future recommendations made on the basis of this.

- The role of Price Waterhouse Cooper needed to be clarified

Jon Roberts – Since Grant Thornton was the group auditor, they had received assurances from PWC but it was outside Grant Thornton’s scope to seek detail on what those assurances were

- Whilst accounts indicated that Bristol City Council had sought and received assurances that Bristol Energy was a going concern, it was unclear why the political decision had been made to carry on funding it and was a key issue throughout the entire history of Bristol Energy

It was noted that all of the key decisions were taken in the public domain, including reporting to Cabinet when the cash envelope had been exceeded.

- There needed to be a proper examination of the scrutiny process and its connection to the Audit Committee to ensure that everyone could have confidence in it
- It was disappointing to see that the report did not have specific recommendations to address some of the previous problems such as the prevention of a call-in of a Cabinet decision
- At the beginning of 2017, selling the company as a going concern was an option but this did not happen as there remained the hope that it would obtain a profit. It was not clear whether or not Cabinet was fully aware of the situation. In 2018, there remained some people who thought there was a future for Bristol Energy as it was considered an important element of City Leap. However, the expressions of interest for City leap did not mention Bristol Energy and it was later acknowledged that more capital was required.
- The report needed to clarify who the shareholder was

Janice Beale – the shareholder was acting under delegated authority. The information did not always make the situation clear. It included a range of people including officers and various Independent Members.

- The need for a PIR should be reconsidered. There had been attempts to launch an Independent Inquiry into Bristol energy but this had been voted down. If this had taken place, the cost to the taxpayer might have been less. Internal costs, Section 151 costs and shareholder advice costs all needed to be included in the analysis



- Once the decision had been made, the winding down process had generally been handled well
- It was important to note that this was originally a combined company with the intention of looking after the poorer people in Bristol. However, 80% of business ended up being from customers outside Bristol and the social value remit disappeared. Whilst the principle was important, cash flow too needed to be taken into account

The Committee discussed a proposal for a press release from the Committee to request that full Council endorse the Audit committee's recommendations to communicate to the public the actions that were being taken and the reasons for them. Most members of the committee felt that this was not appropriate at this stage but might be pursued in November 2021 if action had not been taken.

Following discussion by the Committee concerning the need for a note in the revised accounts to confirm the extent of the loss similar to what was set out in the Grant Thornton report. The Service Manager (Finance) indicated that this would be done when the accounts were signed off as part of a balance sheet event.

**Action: Denise Murray**

It was also agreed that a mechanism was required to ensure that confidential decisions could be monitored through the Audit Committee **Action: Add to November 2021 Work Programme**

Grant Thornton confirmed that at the meeting in November 2021, there would be a formal report setting out the full response to allow a debate at Full Council.

The Committee also discussed whether to make the following recommendations to the Grant Thornton report being submitted to Full Council:

- (1) The Committee report and any recommendations from the external auditors and internal audit should be accepted and acted upon following the appropriate meeting in November 2021
- (2) That internal audit arranges for an annual assessment of this work to be carried out by the Audit Committee

RESOLVED – that (1) and (2) above are agreed for recommendation to Full Council with the report.

**Action: Jon Roberts/Janice Beale – Grant Thornton, Simba Muzarurwi – Internal Auditor**

**Oliver Harrison – to refer to Full Council**



## 9 Treasury Management Annual Report 2020/21

The Committee considered the Treasury Management Annual Report 2020/21.

Members noted the following Public Forum supplementary question:

### **Q3 – Jonathan Hucker**

**Q: Although it was encouraging to see that processes had been tightened, can officers confirm his is the case?**

A: There had been £30 Million in prudential borrowing. Page 63 of the report sets out the additional £33 Million capital expenditure.

Mike Pilcher introduced this report and made the following points:

- There was revenue provision of £13 Million of PFI schemes and £584 Million external debt
- Also, there was £207 Million in investments with further detail provided in the breakdown
- There were options to reprofile the debt with the portfolio extending for the next 50 years
- The report contains indicators for benchmarking

In response to members' questions, officers made the following responses:

- Further green financing options were being considered to reach the carbon zero target. A new prudential code had been issued and this could be used subject to the necessary flexibility
- The figures set out on page 55 of the report include £37 Million of treasury and non-treasury management

RESOLVED – that the Committee notes the Treasury Management Report 2020/21 as set out in Appendix A of the report.

## 1 External Auditor Appointment Process

0

The Committee noted the officer recommendation contained in the report for appointing an external auditor for 2023/24 and going forward. It was noted that the officer recommendation set out in the report would need to be carried out by 11<sup>th</sup> March 2022.



RESOLVED – that Full Council be recommended to opt into a sector led arrangement provided by Public Sector Audit Appointments (PSAA) Ltd.

**Oliver Harrison - - to refer to Full Council**

## **1 Assurance on the Monitoring Oversight of Capital Delivery**

**1**

Glenn Hammons introduced this report and made the following points:

- Appendix 1 set out the actions taken to help deliver best practice and strengthen capital governance
- Further work had taken place concerning the establishment of the capital investment board
- Management was being strengthened at individual scheme level which would also include movements of staff across Bristol City Council
- Updates to the capital strategy would clarify whether schemes were in early development or in the delivery phase
- The Bristol City Council update would be refreshed in November/December 2021 and submitted to Cabinet and Full Council
- Following a review workshop, nine recommendations had been identified and factored into Improvement Team which would include a range of enhancements to the way capital assets have been made
- Close work was taking place with the Property Services Department to improve the quality of information and to digitise in the form of a Fixed Asset Register to operate from 1<sup>st</sup> April 2022. A cultural change was required to achieve this

Committee Members made the following comments:

- It was surprising that an extra £7,500 cost had been identified following the review of the schedule of external audit fees and that the fixed asset register did not reconcile to the accounts. It was pleasing to see that reconciliation had now taken place
- Most actions had either been implemented or were ongoing with targets identified for March 2022
- There needed to be scope for Resources Scrutiny to undertake case studies to supplement the work carried out by Audit Committee. Every year Bristol City Council failed to spend its budget. System approaches were required to deal with the different budget level options. A particular concern was whether or not capital spending could be delivered on time in view of possible inflation increases
- Looking at Appendix 2, a feedback loop was required to Resources Scrutiny or to Audit Committee  
**ACTION: Glenn Hammons to incorporate**

In response to members' questions, officers made the following comments:





- A robust assessment of the timing of expenditure was required
- Many Local Authorities operated a system whereby most of the spending took place in months 11 and 12. A different approach needed to be adopted for the capital programme in Bristol City Council and a cultural change was required to achieve that. An in-depth improvement programme on this would be reported back to committee in future
- Climate Emergency capital spend would be considered in February and then the usual monitoring and scrutiny process would follow
- Each piece of land will be identified in the bespoke Asset Register from April 2022

**RESOLVED – that the Audit Committee notes the progress to date in implementing improvements to capital programme delivery, governance and accounting.**

## **1 Internal Audit Activity Report - including summary audit reports**

**2**

The Chief Internal Auditor presented this report, in conjunction with Melanie Watson, Phil Eames, Tim O’Gara, Mark Kempt, Fiona Lester, Mark Williams and Christina Czarkowski-Crouch.

The Committee noted the following supplementary Public Forum questions relating to Appendix 4 – Cyber Security.

### **Q1 – Councillor David Wilcox**

**Q: In situations where items on the IT Risk Register remained amber for 3 or 4 periods, they should be upgraded to red. Can cyber security issues be resolved to include these?**

A: Officers would investigate this and report back. **Action: Tim O’Gara**

**Q: The date of completion had not been provided in relation to question 7.**

A: Officers would follow up and answer this. **Action: Tim O’Gara**

**Q: Please can answers provided for each question be attributed to each officer. Action: Oliver Harrison to ensure that an officer point of contact is provided for each answer given**

### **Appendix 4 – Cyber Security**

Melanie Watson introduced the appendix on Cyber Security and, together with Tim O’Gara, made the following comments:

- The review had been carried out a few months ago and had examined data risk management controls.



- There had been limited assurances provided but there was some room for improvement
- There had been no information provided concerning a cyber security strategy and governance at the time of the review
- In terms of risk management, there was no defined security risk
- Targeted training was required and a large number of actions had been implemented

Tim O’Gara made the following points:

- The recommendations provided by Audit had been accepted and enhanced work had taken place concerning cyber security
- The Council was committed to robust procedures which would be put in place to deal with an ever changing situation

The Chief Internal Auditor stressed the importance of mitigating risk as events could not always be predicted.

#### Appendix 1 – Risk Management Summary Report

Phil Eames made the following points concerning this report:

- The summary of risk management showed that progress was being made in embedding it across Bristol City Council
- There were not clear governance arrangements around risk management which were both manual and complex.
- This issue was a recurring problem as seen in instances such as Bristol Energy. Therefore, a risk assessment was extremely important
- Forms and records had originally been incomplete. Since the review, new systems had been rolled out and training sessions provided to staff which if successful should address the key issues. A review of the success of this would be provided in the coming year

Officers responded to Committee Members’ questions as follows:

- The new software was externally hosted
- Assessments were being made at corporate level in terms of how the risk assessment fits into decision-making. A need to strengthen the alignment of risk management had been made and may need to be included in the Improvement Plan
- A new system of peer review mechanism was being embedded which was more likely to ensure risks were properly captured
- Details of the way corporate risk assessment was made were provided

#### Appendix 2 – Housing Rents Summary Report

Fiona Lester and Mark Kempt introduced this report and made the following comments:



- There had been a great deal of management change and there had been difficulties in service delivery caused by COVID
- New policies were in place concerning rent setting and arrears. Staff would be trained concerning these and to tackle issues related to an increase of debt for individuals
- Overall debt had reduced to £12.8 Million with the average collection of debt being assessed at over 90%
- An action plan had been put in place to monitor quarterly credits and would be regularly monitored

Committee members thanked officers for their work in this area.

### Appendix 3 – Health and Safety Summary Report

Christina Czarkowski-Crouch and Mark Williams introduced this report and made the following comments:

- The managers' report had identified that the process was too often seen and a "tick box" exercise with little escalation if standards were not met. In addition, the assessment showed that managers were ignorant of their responsibilities which was an issue that needed to be addressed
- A great deal of progress had been made in this area. The Councillor induction programme and elevated governance were part of the framework to ensure proper scrutiny.
- A new national database would be implemented from autumn. This database was supported by IT

In response to Councillors' questions, officers made the following comments:

- It was important for all the different service areas to work together to deliver what was required. That was the purpose of the 14 recommendations set out in 2019 Audit
- Service areas worked together closely – for example, in relation to the cyber agenda
- The Audit Committee and Scrutiny Commission should work together to deliver what was required and ensure best practice

**RESOLVED – that the Internal Activity Audit report for the period ended 31<sup>st</sup> August 2021 be noted.**



## 1 Senior Information Risk Owner (SIRO) Assurance Report

3

Tim O’Gara introduced this report and made the following points:

- The committee’s attention was drawn to the key roles and responsibilities and actions taken
- It was noted that Section 6 referred to the six lines of defence to manage risk
- Training was an area of continuous improvement. More and better training could be provided. This report looks at wider issues including risk management and supports the work of internal audit. This was a difficult and neglected agenda

In response to members’ questions, he made the following points:

- IT assurance was in his team but was subject to expertise from an external partner
- Whilst it may not be appropriate to provide the names of individual officers below a certain level, these could be identified from Service Manager level upwards **Action: Tim O’Gara**

**RESOLVED – that the report is noted.**

## 1 Risk Management Annual Report 2020/21

4

The Committee noted the improvement in the risk management approach in the organisation.

**RESOLVED – that the report be noted and actions taken and plans acknowledged for 2021/22 to improve the effectiveness of risk management across the organisation.**

## 1 Corporate Risk Management Report - Quarter 1

5

Mike Pilcher introduced this report and drew members attention to the three critical risks set out in the report.

Committee members made the following comments:

- Whilst progress had been made, further improvements were required since only one risk was tracking positively this quarter.
- Work was required to obtain a positive trend over all areas rather than simply managing a series of risks
- It was interesting to note that cyber security had improved in Quarter 1
- It was important to ensure that risks continued to be identified beyond the end period on 30<sup>th</sup> June 2021 so that events impacting the situation from July onwards were not brought into the



Corporate Risk Register (CRR) until the next reporting period in December 2021 ie the HGV Driver crisis and its impact on Bristol Waste, the September 2021 departure of the Director of Infrastructure in WECA

- The top three risks currently identified as red were of crucial long term importance to improve for the city

In response to members' questions, Mike Pilcher made the following comments:

- Details would be brought forward showing the measures being put in place to address risks. These would need to be built into service and business plans, as well as into the decision-making process
- It had previously been agreed at Audit Committee that as and when risks are reached, they are added in as an alert and to flag a mechanism to immediately add these in to the CRR. This mechanism would shortly be put in place

**RESOLVED – that the Quarter 1 2021/22 Corporate Risk Register be noted.**

## **1 Annual Report of Local Government and Social Care Ombudsman Decisions**

**6**

Tim O’Gara introduced this report and drew members attention to the continuous improvement set out in it. the Committee noted that this had been considered by the Cabinet earlier in 2021.

Case 20 003 080: It was noted that this complaint followed a long-term set of problems obtaining an adequate waste service at a set each time each week.

**RESOLVED – that the report be noted and be referred to Full Council.**

**ACTION: Oliver Harrison to refer to Full Council**

## **1 Date of Next Meeting**

**7**

The next meeting is scheduled to be held at 2pm on Tuesday 23<sup>rd</sup> November 2021.

Meeting ended at 5.15 pm

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



