

# Bristol City Council Minutes of the Audit Committee

8 March 2022 at 2.00 pm



## **Members Present:-**

**Councillors:** Andrew Brown, Tony Dyer (Vice-Chair), Marley Bennett, John Geater, Zoe Goodman, Katy Grant, Jonathan Hucker, David Wilcox, Adebola Adebayo and Simon Cookson

## **Officers in Attendance:-**

Simba Muzarurwi (Chief Internal Auditor), Denise Murray (Director - Finance & Section 151 Officer), Glenn Hammons and Tony Whitlock

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

The Chair led introductions and issued the safety information.

## **2 Apologies for absence.**

Apologies were received from Cllr Farah Hussain.

## **3 Declarations of Interest**

None received.

## **4 Minutes of Previous Meeting**

RESOLVED: the minutes of the previous meeting on 23 November 2021 are APPROVED as a correct record.

## **5 Action sheet**

The Action Sheet was NOTED.

## **6 Public Forum**



There were no public questions or statements received. It was confirmed that member questions would be addressed at their respective agenda items.

## 7 Work Programme

The Work Programme was NOTED.

## 8 Grant Thornton ISA 260 Report

The External Auditor introduced the report and highlighted the following points:

- This report is to highlight key issues found in the audit of the Council's financial statements for year end 31 March 2021.
- This was a very difficult audit, as BCC is a major unitary authority with lots of responsibilities, including valuations. This report is later than expected due to the increased scope and difficulty. Audits require more staff hours and expertise following increased demands from regulators. The External Auditor (EA) is now more alert to these requirements and is embedding new processes for the future.
- There was a particular focus on valuation estimates in property, investments and pensions. The EA has challenged accounts in some areas with significant adjustments, but this is not unusual. Subject to outstanding queries being satisfactorily resolved our proposal is to give an unqualified opinion on the financial statements.
- The EA has received one objection to the financial statements which is almost resolved.
- The EA have not yet concluded the Value for Money (VfM) work and reasons are explained in more depth in the report. The VfM report will come to a future Audit Committee, and there is a 3-month completion deadline, following the signing of the accounts.
- The External Auditor thanked BCC officers for their support during the audit.
- The EA spent a considerable amount of time on valuations. One area to highlight is the valuation of council dwellings. The valuer used the most up to date indices at the time of completing the valuation for the 31 March, however we now have more up to date indices and when these were applied it produced a variation of £20m which was adjusted.
- The EA is not expecting material issues on the valuation of the Bristol Port Company (although this work is still ongoing) or the pension fund.
- In reviewing the group accounts the EA undertook a review with PWC of their file and findings on BE 2020. No issues have been noted in respect of the group audit.
- On the Bristol Beacon valuation, the EA looked at accounting treatment as an asset under construction and the value at year end. This topic required the employment of an expert who is expected to complete the work this week.

Discussion notes:

- The committee welcomed the news that Grant Thornton is moving operations out of Russia but noted it was still active in Belarus. GT confirmed that it was in discussions about the future of its Belarus network.



- A member commented that the land price increase of 0.4% seemed small considering the recent market.  
It was confirmed that the valuation followed the standards in the Royal Institution of Chartered Surveyors (RICS) “Red Book” so was not challenged. The valuation was also for 2021 so would not reflect very recent trends.
- There was a discussion about the ‘winding up’ timeframe for BE 2020 .  
This is a matter for the administrators rather than the auditors or BCC. Officers confirmed that this is a ‘solvent liquidation’ which tend to be more complex and as such no specific end date can be provided, however initial estimates were around 18 months.
- The audit of the financial statements is expected to complete 6 months after the end of the financial year. This is 12 months, which represents a significant delay. While the committee understands some of the reasons of complexity and Covid delays, other complex organisations have delivered on time.  
Audits nationally are more difficult and taking longer. It was noted that this is the earliest publication of financial statements for BCC for the past 3 years.
- It would be helpful if future reports from the external auditor were in a searchable pdf format.
- Members sought further clarity in relation to the objection to the accounts.  
It was confirmed that the objection received was in relation to expenditure on political publicity.
- Members were concerned whether they could sign off the statement of accounts, with the residual ongoing work; only for the EA to find more material differences later.  
The EA confirmed that they were far enough in the process that further material items were very unlikely. If they did occur, a further report would be submitted to the committee. It was also confirmed that this report was by exception, so any area not otherwise mentioned in the report is assumed to be satisfactory.
- The report mentions it is good practice for significant transactions to be reported to members.  
This was clarified as members of Cabinet and Audit.

## 9 Statement of Accounts 20/21

The Corporate Finance Business Partner introduced the report and summarised it for the Audit Committee. The committee is asked to approve the Statement of Accounts for year end 31 March 2021.

### Discussion Notes:

- An adjustment was required for £20.6m for two BACS runs in transit that had not cleared at the year end.  
A view was expressed that the correct way to handle this would have been to credit cash and debit creditors.
- It would be helpful if amounts owed by subsidiaries could be presented separately.
- The Bristol Beacon centre has been impaired to nil value in the accounts. How much has been written off and why? Is this because the building was a shell at that point or does the terms of the lease mean it does not have a value for the council?



It was confirmed that Bristol Beacon is an asset under construction and existing use would reflect that fact that it had been stripped back to a shell during extensive construction works.

- A member asked how much was spent on phase one for the Beacon, the total spent and how much was written off to impair the asset to nil?  
Officers confirmed that ongoing costs are capitalised as they are incurred and information on historical costs would have to be researched and can be fed back.[ACTION].
- It was confirmed that the Audit Committee does not receive regular management accounts as it is not within the committee's Terms of Reference. Officers reminded members that there are periodic financial reports submitted to cabinet and scrutiny that are publicly available.
- There was a discussion on Business Rates and the Business Rates appeals provision, which is currently valued at £25m.  
The provision is based on 4.7% of business rate income in line with recommended practice. This may not be enough to cover all pending appeals as they can be backdated, which presents a considerable risk. The appeals process is managed by the Valuation Office Agency (VOA) who provide independent valuations, setting the rateable value and dealing with appeals which means BCC has no ability to control appeals.
- It was confirmed that members will be voting to approve the accounts, meaning that they are satisfied with the level of assurance supplied by the external auditors.
- Clarity was provided in relation to p.68 the 'do nothing baseline' - This is based on the DSG Deficit Management Plan (DMP). The Council uses the DFE DMP toolkit and the do-nothing baseline (starting point) reflects the current trends and represents the financial outcome if there were no interventions or mitigations.
- The report says that Audit Committee should receive risk reports on a quarterly basis, however that has not been the case.  
Officers said that the reporting schedule of audit committee is out of sync with the Cabinet pathway which the risk reports are scheduled for.  
Officers confirmed that the Q3 risk report was published for Cabinet and they would check why the report did not come to the January committee meeting. The latest version will be circulated to members via email to consider and advise whether a supplementary meeting is required to further explore the content [ACTION].
- A £20m adjustment should be taken in the context of a £2.3bn valuation for property and £1.1bn for pensions. It is a small adjustment that generates a big looking number.
- The Adult Social Care financial risk – budget variation will be outlined in the report to People Scrutiny and Cabinet. Scrutiny is currently drafting the work programme for next year and they will consider whether the financial risk associated to ASC is to be included.
- Officer remuneration - There seems to have been a major increase in the number of officers in the £75k salary bracket.  
Officers said that they would investigate the reasons for this and report back [ACTION].
- Members requested a tracked change version of the accounts so they could see the changes that were made.  
Officers confirmed this could be circulated to members privately by email [ACTION].

RESOLVED Audit Committee APPROVES the Statement of Accounts for the year end 31 March 2021.



## 1 Accounting Policies 2021/2022 & 2022/23

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The Corporate Finance Business Partner introduced the report and summarised it for the Audit Committee.

- Accounting Policies are complex by nature, however unless there are any major changes, they largely stay the same year to year so are comparable. The report summarises the accounting policies adopted by the Council and the required changes for 2021/22 and 2022/23 to ensure the accounts are prepared in accordance with accounting regulations.
- There has been change on how BCC treat leases, IFRS 16 is due to be adopted on 1st April 2022 this is already in effect in the private sector but will be introduced to Local Authorities in 22/23.

## 1 Internal Audit Exception Report

1

The Deputy Chief Internal Auditor introduced the report and highlighted the following points:

- Routinely, where Internal Audit reviews conclude 'limited assurance' summary reports are provided to the Audit Committee. Two such areas are presented in this report. One in relation to Information Asset Owner Roles and Responsibilities following a recent audit review which had concluded limited assurance. Another in relation to the Harbour Office. This audit was initially completed in January 2021 and at that time concluded limited assurance. This summary report was the follow up to the January 2021 review.
- The work undertaken on the Harbour Office review was done at their request. Some management practices were out of date, including moving to digital systems. The follow up has shown reasonable progress, with many changes in train. There has been a delay on the operational harbour review due to covid. We should have this be the end of the month.
- Management advised that recommendations from the report are being taken forward into the management plan. Legislation of the harbour is being reviewed and there is a need to replace outdated bylaws on the harbour. The Bristol Harbourmaster has joined the harbourmaster national association. All berth invoices are now being handled by Agresso Business World.
- Regarding the report on Information Asset Ownership, whilst Information Asset Owners have been nominated, there was evidence that they did not understand or fulfil their role effectively. When done properly, this role is key in ensuring information risks are understood and properly managed. There is a need for clear guidance and training for these officers.
- Management advised that an action plan has been created to address the findings of the review. There are several responses to findings, which have been published on the intranet. There is a gap in new manager training about information ownership which is now being addressed.

Discussion Notes:

- Harbour - Members requested a list of changes that have been made. Officers confirmed this would be possible once the revision order is drafted [ACTION].



- New bylaws must go through the Secretary of State, so it will take at least 2 years to complete.
- All BCC Directors are information asset owners. Not all have received the relevant training but will soon.

RESOLVED the report was NOTED.

## **1 Review of External Inspections of Council Services 2021/22**

**2**

The Head of Executive Office introduced the report and highlighted the following points:

- This report is to provide Audit Committee with a high-level overview of peer review activity during 21/22. The report summarises key findings and recommendations from outside bodies. There is a reference table in appendix A and we will direct members enquiries to the appropriate contact.
- CQC and Ofsted have started inspections again. No schools or settings have been named in the report due to data protection, but this information is available to members on request.
- Review of children homes has been positive, only one needs improvement.
- There has been an LGA peer challenge from Wiltshire Council on Bristol's Children's Social care, with the findings outlined.
- DLUHC had a focus visit on the effectiveness of BCC's youth homelessness service. This analysed 7 key areas and identified 3 priorities for review. An action plan has been produced and monitored.

Discussion notes:

- Regarding the Ofsted inspection of children's homes (section 3.6), 3 were rated good, one as improved effectiveness. The IE rating was due to the inspection being an interim follow up. Officers offered to send the scale to members [ACTION].
- Members asked how Audit Committee could have oversight of the implementation of the actions outlined in the report. The officer said this was usually via an annual update and the Chief of Internal Audit said would be sufficient as the issues are also being monitored elsewhere. If committee have concerns, they can refer to scrutiny.
- The floating harbour safety review was around general safety issues but did have a particular focus on preventing falls.

RESOLVED the report was NOTED.

## **1 Contract Management Progress Update**

**3**

The Strategic Supplier Relations Manager introduced the report and highlighted the following points:

- This is an update on the new contract management system / framework. It primarily concerns addressing the accuracy of the register, improved performance monitoring and steps to minimise late notifications on renewals.





- There are a range of contract managers and processes across the council, we consulted with 100 managers, and we are almost in a position via our system of achieving consistency across the council.
- This is about changing culture and improving the skill of managers to discharge their responsibilities. The team continue to roll out learning.
- There is a bespoke contract management system that works for BCC needs with ABW integration. The enhanced level of data gained can inform savings projects. From April, there will be routine quarterly reports, covering contract performance, expiry data, market vulnerability, early warnings for industries and so on.
- The next piece of work is a supplier census to identify size, location, age and trends of who we work with.
- The accuracy of the register was a challenge, as there were many different service-led versions and we now have an overall corporate picture.
- Contracts are now monitored for performance to see whether KPIs are being met. Pilot schemes will be initiated in IT, Adult Social Care and Housing as these areas have many contracts nearing expiry.

#### Discussion Notes:

- ASC has the highest number of contracts with the shortest terms and the lowest number of managers. ASC contracts are particularly difficult to manage and are typically held by the Head of Service rather than direct contract managers. This programme will attempt to address this with additional training for managers.
- The 'full system launch' was achieved two days before scheduled. This meant that all contracts were on the system as one source of truth. The 'framework launch' will support the contract managers coming into the system and working their contracts.
- The system requires its own log in via a web-based portal linking to SharePoint. Proactis is a partner product of the ProContract system.
- Members thanked the team for their work, acknowledging that this was a complex area that has needed review for a long time.

RESOLVED the report was NOTED

## **1 Draft 2020/21 Annual Governance Statement Summary of Progress to Date**

**4**

The Director of Finance introduced the report and summarised it for the committee.

- In July 2021, the draft Annual Governance Statement was taken to Audit Committee. The AGS remains draft until the accounts have received sign off from External Auditors.
- In 2021 Internal Audit gave an opinion of reasonable assurance on governance, which represents an improvement on previous years. The AGS is a reaction to the IA assessment and shows plans to improve.



- 4 major issues were highlighted: Response to Covid-19, governance arrangement for BCC subsidiaries, the Dedicated Schools Grant and the Bristol Beacon. Actions to manage these issues are in appendix A. Three of the issues are considered closed subject to external approval. The DSG deficit remains and presents a significant risk. Audit Committee will receive updates on this throughout next year.

RESOLVED report was NOTED. The Director of Finance introduced the report and summarised it for the committee.

- In July 2021, the draft Annual Governance Statement was taken to Audit Committee. Members should note that the AGS remains draft until the accounts have received sign off from External Auditors.
- In 2021 the Chief Internal Auditor gave an opinion of reasonable assurance that governance, risk management and internal control were operating effectively, which represents an improvement on previous years and progress being made by the Council in addressing some of the long outstanding audit issues.
- This report provides updates on the approach and actions the Council has adopted in taking these significant issues forward and with the exclusion of the Dedicated Schools Grant Deficit the actions are considered closed.
- The AGS shows the outcome of the assessment, actions and improvements to enhance governance arrangements and identified any significant issues that needed to be addressed.
- 4 major issues were highlighted: Response to Covid-19, governance arrangement for BCC subsidiaries, the Dedicated Schools Grant deficit and the Bristol Beacon. Actions to manage these issues are in appendix A. Three of the issues are considered closed, however the DSG deficit remains a significant risk, requiring close monitoring. Audit Committee will receive updates on this throughout next year.

RESOLVED report was NOTED.

## **1 Annual Whistleblowing Update**

**5**

The Chief Internal Auditor introduced the report and summarised it for the committee.

- This report is to update the committee on Whistleblowing arrangements and progress made following an independent review in 2021.
- Full details of cases and outcomes from investigations relating to Whistleblowing allegations are presented to the committee in the half year and annual fraud reports.
- The independent review in 2021 gave substantial assurance opinion concluding that processes were working well, guidance was effective, cases were investigated appropriately and in a reasonable timescale. There were 3 minor issues found, relating to procedure version control, volunteer workers and outcomes / learning points. The three associated recommendations have been implemented.
- There will be another independent review in 2022/23.





RESOLVED the report was NOTED.

## 1 Internal Audit Draft Plan 2022/23

6

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

- In approving the audit plan the committee should consider whether the plan addresses the committee's assurance needs, whether the plan captures the key areas that would be expected and identify any obvious gaps in the plan.
- The proposals are risk based and have been informed by considering information from many sources, including: the Corporate Strategy, Corporate Risk Register, Service Risk Registers, World Economic Forum Global Risk Report 2022, Chartered Institute of Internal Auditors Risk in Focus 2022, internal audit history and detailed risk assessment. There has been a decision to cover fewer audits to enable deeper insights and robust assurance
- Appendix 1 shows the proposed draft plan and appendix 2 includes all areas which were considered but not included on the plan.

Discussion Notes:

- Appendix 2 contains items that are low risk and have not been audited before, or bigger risks that have been previously audited but could benefit from review.
- Internal Audit do not have the resources to cover every issue so reviews should be prioritised based on risk assessment results.
- It is sometimes not obvious what the risk basis is for the review of these topics. What is the risk question? Is it just about finance and expenditure? It would be helpful to have that clear. It was commented that the plan is a list of areas that are earmarked for review and following approval internal audit will work with management to define the scope of the reviews and agree the terms of reference.
- The proposed audit topics are strongly linked to the Corporate and Service Risk Registers. Some potential areas have been left out of the plan to give management actions a chance to be fully embedded. Consistent with the agreed planning methodology, the plan will be reviewed quarterly.
- The BCC internal audit team regularly discuss their plans with the national Local Authority Chief Auditors' Network and the Core Cities Chief Auditors' Group. This enables sharing of best practice.
- The increase on the number of audit days for Risk Management Effectiveness from 110 days to 240 seems justified and sensible given the size of the organisation and risk profile.
- There was a discussion on the City Leap project, which is considered by officers as too early for audit engagement. However, assurance work relating to this project will be aligned with the audit work on management of contracts with BCC subsidiaries. There is little engagement possible on this topic right now.
- It was confirmed that the review of the Arcadis strategic partnership would form part of the capital programme governance and would be included in future.
- The recruitment of two internal audit apprentices should read 2022, not 2021.



RESOLVED Recommendations APPROVED

Meeting ended at 4.45 pm

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

