

Bristol City Council

Minutes of the Audit Committee

29 March 2018



Members present:-

Councillors: Jos Clark (Chair), Olly Mead, Steve Pearce, Clive Stevens, Mark Weston (substitute for Liz Radford)

Independent Members: Adebola Adebayo and Simon Cookson

Officers in attendance:-

Jonathan Idle, Alison Mullis, Denise Murray, Chris Holme, Nancy Rollason, Shahzia Daya, Tony Whitlock and Jeremy Livitt

Apologies for absence: Councillors Afzal Shah, Barry Clark and Liz Radford

Also in attendance (for Agenda Item 8): Greg Rubins and David Eagles (BDO)

1. Welcome, apologies and safety information

The Chair welcomed all parties to the meeting. Apologies were received from Councillor Afzal Shah, Councillor Barry Clark and Councillor Liz Radford.

2. Declarations of interest

There were no declarations of interest.

3. Minutes of previous meeting

The committee approved the minutes of the previous meeting held on 25 January 2018 as a correct record.

4. Action sheet from previous meeting

The committee noted the action sheet from the previous meeting. The following was noted:



- The revised Code of Governance would form part of the constitution. An update would be submitted to Full Council on 22 May 2018.
- Officers indicated that they would pass on councillors' request to see the amended Code prior to it being submitted to Full Council; also to clarify whether amendments can be submitted at or before Full Council to the Code of Governance by members. Action - Nancy Rollason
- It was noted that Action 2 (BDO's 2016/17 Grants Report – Housing Benefit Subsidy) had been completed.
- Complaints – members wanted to know if any themes were emerging and requested a report from the Monitoring Officer. Action – Nancy Rollason

5. Public forum

The committee received public forum questions from Alderman Brian Price, together with answers as follows:

Question 1 - Audit Committee – 29 March 2018

Dear BCC Audit Committee

In the light of Item 16 of your meeting of 21st Sept 2017: Underspent returned grants 2016-17.

Q1. What definite Returns/Claw Backs of Grants have been identified for 2017/18?

Q2. What potential Returns/Claw Backs of Grants have been identified for 2017/18?

Thanking you in anticipation of written answers.

Alderman Brian Price.

REPLY:

Q1. A: Only one grant has been identified as requiring a partial return in 2017/18. This relates to a capital grant for work at Windmill City Farm Nursery. Originally £740k was awarded by the Education & Skills Funding Agency (ESFA) to build a new block on the site. However Windmill City Farm trustees rejected the offer as being against the ethos of the nursery because the proposed build compromised too much of the existing outdoor play space.

An alternative scheme has now been developed around redeveloping an existing building on the site which will deliver some additional capacity. The new proposals have been agreed by trustees. As this has led to an overall reduction in total project costs, £493k from the original grant allocation will be returned to the ESFA.

Q2 A: At this time no other potential returns of any further grants have been identified for 2017/18.

6. Work programme

The committee noted the work programme. The following points were made:



- Officers agreed to arrange for a position update on the arrangements for grants for Looked After Children. Action: Denise Murray
- There had been some slippage this year with reports. In future, officers were urged to ensure that the work timetable was adhered to as closely as possible and if there were difficulties, to ensure the committee was kept informed. Action: Chris Holme/Denise Murray
- Ethical Standards consultation – consultation was due to end on 18 May 2018. Since the next meeting of the Audit Committee was not scheduled until 24 May 2018, it was proposed that officers prepare a written response based on the consultation requesting observations and then send them off. If necessary, an informal meeting would take place. Action: Nancy Rollason
- Corporate Risk Register update – This is due to be submitted to Cabinet in June 2018 and received by the Audit Committee in July 2018. This will align consideration of risk to quarterly reporting of finance, performance and risk.
- Bundred Action Plan Tracker – this will be received by the Committee every six months unless also necessary in the intervening periods.

7. Bundred Report and Annual Governance Statement Tracker

The committee discussed the Bundred report and Annual Governance Statement Tracker. The following comments were made:

- B18: Officers advised that the new decision pathway had been recently introduced and had now been approved and published. Although it was noted that there was no specific reference to scrutiny, this formed part of the process. It had been signed off by the Mayor and the new strategic board. Any future issues concerning the pathway would be dealt with as required.
- Officers drew the committee's attention to the table setting out the details, together with recommendations. Some areas remained only 50% complete (ie Finance) which reflects the scale of the journey completed and what remained to be done. Future focus needed to concentrate on peer reviews and culture
- At the end of the year, 77% of actions were still listed as amber. The Chief Internal Auditor commented that the tracking related to areas where it had been concluded there were "significant governance issues" within the Annual Governance Statement for 2016/17, commenting that these had been included within the Council's Accounts for 2016/17 and had been agreed by the Audit Committee. In this context, it could have reasonably been expected that a higher level of implementation would have occurred. The level of implementation of significant governance issues would need to be reflected in the Annual Internal Audit report and the Annual Governance Statement for 2017/18.
- Officers stated that target dates for completion were set out.
- Officers confirmed that the Corporate Risk Register was being refreshed with a new approach which would test and mitigate options.
- Officers stated that arrangements for accelerating the process were working. Audit Committee could ask for more a more detailed briefing if required.



- Members stated that in the past there had been greater style than substance in the preparation of information. This situation had improved recently. Shorter notes were often preferable to a fuller report, with links being a useful tool to supplement information as required. Officers pointed out that Bundred had criticised the lack of sufficient detail /information. As a result, information was provided either through a presentation or a detailed report.
- B39 and B40: Whilst most officers would readily provide information to councillors if required, members stated that it was not always clear where members should go to obtain information. Members didn't always know what they were entitled to see. Officers were requested to remind all members about this – Action - Nancy Rollason to brief Members.
In addition, some existing generic e-mails were unhelpful and, in some cases, needed to be updated. Officers advised that they represented all councillors in as open and transparent a way as possible unless a report was exempt. Action: Officers to check generic e-mail addresses and provide information for councillors to assist them in reducing the amount of time that it can take for them to get information that they require as part of their casework – Denise Murray
- Officers noted concerns from the Independent Members that there needed to be a proper indication where actions were not on track for delivery, in addition to an assessment of what the risks are and how to manage them. It was pointed out that those items which were identified as amber required further action. However, it was acknowledged that a narrative could also be provided. Action: Denise Murray
- There were 85 recommendations in the Bundred report. The volume of work required was huge. Officers were working as hard as possible to ensure these were completed. Whilst most of the work was completed, it was hoped to embed the required frameworks by 2019.
- In response to members' concerns that a large number of items remained in amber with no completion date, officers confirmed that this was part of the restructure process. Until this was carried out, the appropriate assessment centre work to identify completion dates could not be made. It was acknowledged that there had been a marked improvement in terms of the Medium Term Financial Plan and the budget process.
- Whilst overall staff morale had significantly improved, work still remained in this area.
- Officers agreed to confirm why 9 out of 17 items originally listed as amber were now listed as green. Action: Denise Murray

Resolved – that the report be noted.

8. BDO's planning report to the Audit Committee 2017-18

David Eagles and Greg Rubins (BDO - External Auditors) introduced this report. They made the following points:

- Page 58 set out the timetable of work. Some initial meetings had taken place with finance to ensure that the timetable could be met.
- Following an early valuation of assets on 1 December 2017, work was still required to ensure that these were still valid as of 31 March 2018
- The following areas of greater risk had been identified: (1) Group Accounts – PWC (2) Pensions – Grant Thornton.



- Anything above 2% of materiality level above actual gross expenditure in 2016/17 would be reported.
- Members' attention was drawn to Page 63 setting out the Key Audit Risk and Page 64 setting out the property, plant and equipment, investment property valuations and pension liability assumptions.
- In response to members' concerns that the National Non Domestic rate (NNDR) was not red, it was noted that this was the subject of a separate review.
- The External Auditors noted concerns that liabilities could be overvalued and the deficit was not sufficiently reduced, this could lead to future intervention by the Secretary of State. However, they pointed out that the ranges were fixed and were an issue for all local authorities. Therefore, issues such as longevity could not be commented on. However, local assumptions could be examined (ie pay increases). In addition, other issues such as the Brunel Pension Pool were outside the scope of their work.
- The External Auditors confirmed that collection funds would be a part of their assessment of the Medium Term Financial Strategy.
- It was noted that it was still a challenging environment to ensure sustainable finances.
- Details of audit fees were set out.

Resolved – that the report be noted.

9. Internal Audit - Draft Plan 2018-19

The Head of Internal Audit introduced this report and made the following points:

- Internal audit are a key assurance provider to the Audit Committee and thus the Committee need to ensure the audit work plan will provide the assurances they require.
- The plan sets out a draft work programme that should enable the required annual internal audit opinion on the risk management, internal control and governance arrangements to be formed at the end of the financial year and reported to management and the Audit Committee.
- Details of how the plan was formulated are contained in the report. Liaison with external audit is ongoing to ensure there is no duplication of work.
- Resources required to deliver the plan are set out in the report. Available resources fall short of estimated requirements as the team is carrying vacancies pending the skills review currently in progress. A methodology is being developed to distinguish core and non core work to help address this imbalance. Where appropriate, a fee structure for non core work is being researched which may support delivery of the core programme. However, should amendments to the plan be required, this will done in agreement with the Audit Committee.
- Key features of the plan are set out in the report. Notably, the team has stepped away from facilitation of risk management to enable formulation of an independent opinion on these arrangements. Assurance mapping of the highest risks in the corporate risk registers is an area of development and will inform that work. Using an 'embedded assurance' approach to auditing



projects and programmes should support improvements across the Council in delivering successful projects. The team also plans to continue to deliver an extensive counter-fraud programme.

- Arrangements to monitor delivery of the plan and the internal audit team's performance are also detailed in the report.
- The Audit Committee were asked to approve the draft plan.

The following responses were provided in response to Members' questions:

- The plan for 2017/18 included areas identified by the governance review and the activity report for the year to date (agenda item 12) detailed those areas. The plan for 2018/19 also contained work in some of these areas where they were not covered in 2017/18.
- A comparison of resources availability and planned resource allocations for the previous two years is available and will be provided to Committee members. Action: Alison Mullis/Jonathan Idle.
- Further details can be provided to the Committee on assurance mapping as this work progresses.

Action Alison Mullis/Jonathan Idle.

Resolved: That the Internal Audit Plan for 2018/19 be approved.

10. Whistleblowing Arrangements - Annual Review

The Head of Internal Audit made the following points:

- In accordance with best practice, an Annual Audit of whistle blowing arrangements had been prepared and was submitted to Audit Committee.
- A whistleblowing process is in place to report and record concerns. The process was revised and refreshed in February 2017 and at the launch of the new arrangements, details were publicised. Further awareness raising has not however occurred.
- A staff survey was completed as part of the review and although only a limited number of responses to the survey were received, the results indicated low staff awareness of the arrangements. Proactive and regular communications are required at all levels of management to address this.
- Benchmarking with Core Cities colleagues also indicated comparatively low levels of concerns reported in Bristol. This could indicate low level of confidence or a lack of awareness.
- Insufficient priority may have been given to issues raised and concerns are not always investigated. Management oversight is required to ensure cases are progressed in a timely manner going forward.
- There is no mechanism in place to evaluate the outcome of cases and ensure lessons are learned – quarterly case management meetings have now been agreed.
- There is some tidying up required of code of conducts and the whistleblowing procedures.
- Management have agreed all of the recommendations made in the report. An annual audit of the procedures will ensure the committee are advised of progress of improvements.



Members expressed concern that this procedure was not sufficiently promoted across the council and that outcomes from the investigations are not evaluated. Also, they were concerned to ensure that phone lines for reporting concerns are answered.

Officers confirmed that Trade Unions had been consulted upon the refresh of the process in February 2017 and that staff could raise concerns via the Trade Unions. However, this review had not included consultation with them. Action: Alison Mullis/Jonathan Idle to source feedback on effectiveness of arrangements from Trade Unions via HR.

Resolved – that the report be noted.

11. Results of Peer Review of Internal Audit

The Interim Chief Internal Auditor introduced this report and made the following points:

- A Peer Review of the Internal Audit Service had been undertaken as per the Terms of Reference agreed by the Audit Committee in July 2017.
- The review was undertaken by the Head of Internal Audit of Sheffield City Council and was a comprehensive review of 342 standards of the Public Sector Internal Audit Standards (PSIAS)
- The review incorporated the validation and testing against a self-assessment against the standards undertaken by BCC Internal Audit.
- The review conclude that BCC internal Audit “generally conforms” to the requirements of PSIAS. This was broadly satisfactory with the section complying with 84% of the standards with a further 14% partially conforming.
- BCC’s own work had identified a number of key areas for improvement (listed on Page 108 of the report).
- The key areas for improvement related to:
 - o The role of Internal Audit in Risk Management
 - o Training and Appraisals
 - o More effective documentation of the quality assurance and control of audit output and working paper completion.

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

- The following low level recommendations had been identified – (1) Best Practice – conflict of interest statements (2) A record of positive report formats.
- The majority of actions required to address the recommendations would be addressed by November 2018.
- In relation to Assurance mapping, the Audit Plan for 2018/19 included a far greater emphasis upon the reviewing of assurances in respect of the risks within the Corporate Risk Register and this would be approached in line with the Three Lines of Defence Model.



Additionally, in response to a question relating to the recommendation relating to the Audit Committee and the approval of the Internal Audit budget, the s.151 officer responded that whilst responsibility for the budget remained with Full Council, the Audit Committee would be able to comment on resources to ensure delivery was balanced within the organisation.

Resolved – that the report be noted.

12. Internal Audit Activity Report - 1 April 2017 - 1 March 2018

The Interim Chief Internal Auditor introduced this report which included the following points:

- An update on the delivery of the Audit Plan and resources;
- Annual Governance Statement Assurances have been requested for return by mid-March.
- 27 grants/ certifications with a total value of £30m certified to date;
- Recommendation implementation rate currently at 91% implemented or partially implemented;
- Pro-active fraud work continues to identified a good level of recoverable savings and an increased number of recovered council tenancies, noting that since reporting to Audit Committee in November, there has been an increase in potential recoverable savings from £539k to £887k and notional savings of £1.7m to £2.4m which have been identified by the Counter Fraud / Investigations Team.
- The majority of assurance reviews were either complete, in progress or at early planning stages.
- Summaries of 13 completed audit reports were reported to the Committee and related to completed audits, of which the respective Audit opinions were:
 - o 6 Reasonable Assurance
 - o 6 Limited Assurance:
 - o 1 retrospective review re Duplicate Cheques and Print And Mail Services
- Members queried the process when there was a disagreed recommendation and the Interim Chief Internal Audit explained that in such instances where management felt either the risk was considered to be managed or not require any control improvement that it be reported to the Audit Committee following relevant discussions during the course of the audit process.

The Acting Director, Finance, answered specific questions in relation to recommendations relating to the Loans Fund and the independent checking of the journals process.

- There was specific commentary in respect of the following audits:



- o Complaints Management
- o Contract Waivers
- o Contract Register and Publication Requirements
- o Housing Voids
- o Cash Receipting System Contract
- o Bank Reconciliation
- o Clearing House Automated Payment System (CHAPS)
- o Accounts Payable
- o GDPR

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

- Members' concern about 240 missing cheques was noted. It was explained that this was caused by human error. The processes had been reviewed to ensure they were robust enough to prevent it happening again
- There was a follow up report currently being concluded in respect of the audit report on Foster Care Payments and this would be included within a subsequent report to the Committee.

Resolved – that the report be noted.

13 Update on General Data Protection Regulations (GDPR) Readiness

The Monitoring Officer introduced this report and made the following points:

- There was a huge task for an organisation to ensure compliance within the required time period.
- As at present, 92% of returns had been received.
- The training module had been rolled out across the organisation.
- Weekly updates would be provided to ensure 100% compliance.
- A Privacy Impact Assessment would be carried out.
- Subject access requirements needed to be received within 30 days.
- It had been proposed that the process was centralised to ensure effective control.
- The Statutory Data Protection Officer would play a key role in ensuring behaviour changed and was embedded.
- 5 super users would also be trained to support the process.
- It would be significantly tied up by this process and therefore proper alternation of work assist.
- A fair processing template would be developed for councillors.
- Councillor Cheney was regularly briefed. A written update would be provided to Committee members by e-mail to provide a direction of travel in this area.

Action: Shahzia Daya

Resolved – that the report be noted.



14. Date of next meeting

It was noted that the next meeting was scheduled as the Annual Meeting for 2018/19 at 2.00 pm on Thursday 24May 2018.

Meeting ended at 4.50 pm

CHAIR

