

Bristol City Council

Minutes of the Audit Committee

26 November 2018 at 2.30 pm



Present:

Councillors: Olly Mead, Mark Brain, Anthony Negus, Richard Eddy and Clive Stevens.

Independent members: Adebola Adebayo and Simon Cookson

Officers in attendance:

Denise Murray - Director – Finance

Jonathan Idle - Interim Chief Internal Auditor

Alison Mullis & Melanie Henchy-McCarthy - Head of Internal Audit (job share)

Chris Holme - Head of Corporate Finance

Tony Whitlock - Finance Manager

Nancy Rollason- Head of Legal Services and Deputy Monitoring Officer

Allison Taylor - Democratic Services

Also in attendance:

Jon Roberts, Engagement Lead, Grant Thornton (external auditor)

Jackson Murray, Engagement Manager, Grant Thornton (external auditor)

1. Apologies and safety information

Apologies were received from Cllrs Shah and Pearce.

The Chair welcomed everyone to the meeting. He also reminded those present of the safety information as detailed on the agenda.



2. Declarations of interest.

Councillor Eddy, in respect of the subject matter in a Statement for Public Forum, declared that he had been a signatory to a letter sent to the media. It was noted that this matter was not on the agenda for this meeting.

3. Minutes of the previous meeting.

18 September 2018.

1. Councillor Negus expressed concern that the minutes lacked member commentary and as such were not a true reflection of the meeting for the public;
2. Councillor Stevens referred to Minute 10 – Internal Audit Activity – Car Parking Income and asked that ‘failure to investigate income variances and vault tickets not always being available’ be added after ‘resulting in income loss’.

Resolved – That the minutes of the 18 September 2018 be approved, subject to the amendment set out, as a correct record and signed by the Chair.

16 October 2018.

1. Councillor Negus expressed great concern that the minutes did not fully reflect what was said at the meeting and in particular that it did not reflect the representative from BDO stating that the payment to the ex-Chief Executive was not contractual. He emphasised the importance of accurate minutes so that the public were fully informed. He also referred, in Councillor Radford’s absence, to comments she had submitted to the Chair in respect of the Resolution of the ISA 260 report not properly reflecting what was agreed;
2. Councillor Stevens supported the previous comments and suggested whether future meetings could be recorded for better transparency. Councillor Brain supported this view but only for meetings where there were particular subjects the public might wish to engage with. The Chair supported this approach. Officers agreed to take this matter away and report back to the Chair;
3. The Director – Finance advised that agreement of the minutes could be deferred pending a review of them in consultation with BDO and in respect of Councillor Negus’s and Councillor Radford’s comments. This was agreed by the Committee and it was:-



Resolved –

- 1. That the minutes of 16 Oct were not agreed and would be reviewed in consultation with BDO and the Chair and in respect of Councillor Radford's and Councillor Negus's comments regarding the Ex-Chief Executive's final salary arrangements;**
- 2. That the revised minutes of 16 Oct be circulated to the Audit Committee for informal approval and be formally considered at the next meeting of the Audit Committee.**

4. Action Sheet.

1. There were no comments on 18 September Action Sheet.
2. With respect to the Action Sheet of 16 Oct, the Chief Internal Auditor reported that the BDO report had not yet been received and therefore no meeting had taken place. Councillor Negus reported that he was made aware that an informal meeting with the Chair and Vice Chair had taken place and reiterated the need to consider the BDO report in a formal public meeting. The Chair confirmed that the informal meeting had been to consider what a scope might look like and that consideration of the BDO report would be at a public meeting;
3. Councillor Stevens requested that the Director – Finance write to BDO requesting a timescale for receipt of the report on the ex-Chief Executive's final salary arrangements and this was agreed.
4. The Head of Legal Services, clarified what was resolved at the last meeting, - that upon receipt of the BDO report there would be a formal, public meeting to be called as an extraordinary meeting if necessary. At that meeting, the Committee would determine whether having read the BDO report, the arrangements merited further review. If they did, an informal scoping meeting would be convened. It was agreed that this would be clarified in the minutes of 16 October;

5. Public Forum.

The Committee heard a statement from Councillor Hopkins. Councillor Eddy agreed to forward to the Chair 17 questions he had submitted to BDO in relation to the Ex Chief Executive's final salary arrangements.

6. Work Programme 2018/19.

This was noted.



7. Business Continuity Report.

The Committee welcomed James Gillman – Civil Protection Manager and Tim Farrance – ICT Infrastructure Manager to the meeting and heard the following points by ways of introduction :-

1. Business continuity planning was a statutory duty for the authority under the Civil Contingencies Act 2014;
2. A great deal of progress had been made in the last 18 months and strengths and weaknesses had been identified;
3. In 2017, national incidents & internal incidents such as IT outages as well as severe weather highlighted the need to improve business continuity;
4. Work had taken place with the Emergency Planning College to improve the Council's its business continuity planning and Heads of Service have been trained and some plan testing has taken place;
5. 95% of services now had a Business Continuity Plan in place and this was overseen by the Corporate Resilience group;
6. Significant progress had been made in embedding it into services' cultures;
7. There were continual new resilience risks such as severe weather and Brexit and the out of hours services continued to be a challenge;
8. The Corporate Leadership Board was very engaged and had approved the additional resource of a full time Business Continuity Officer;
9. Technological changes and agile working had assisted in making the organisation more able to absorb disruptions.

The following comments arose from discussion:-

1. The number of events in the city such as the St Paul's Carnival was creating a greater call on services out of hours;
2. The Grade of the Business Continuity Officer was BG12 and would not therefore attract a corporate professional but was likely to attract those running Business Continuity courses at university;
3. The Brexit Impact Assessment Group was reporting to a Scrutiny Commission.



The Committee was reminded of the recommendation and it was:-

Resolved – That the Audit Committee notes the progress made in business continuity planning over the last 18 months, the ongoing strengths and weaknesses of the business continuity management system and the additional resource secured for the new financial year (subject to budget approval in February 2019) to address weaknesses and improve.

8. Grant Thornton – Audit Progress Report and Sector Update.

The Committee welcomed Jon Roberts and Jackson Murray of Grant Thornton to the meeting and heard the following points by way of introduction:-

1. There was currently not a great deal of audit activity so meetings were being held to re-acquaint with key officers;
2. Grant Thornton had written to BDO in September to request a handover and BDO had replied they would do this after signing of the accounts;
3. The report gave a flavour of the audit agenda with bottom up reporting and use of best working practices.

The following points arose from discussion:-

1. Councillor Brain welcomed the return of Grant Thornton;
2. Members would be invited to any events/sessions run by Grant Thornton;
3. Grant Thornton were monitoring the situation with respect to the impact of local authorities commercialisation as a result of the fair funding review.

The Committee was reminded of the recommendation and it was:-

Resolved – That the Audit Committee notes Grant Thornton’s Audit Progress Report and Update.

9. Internal Audit Half-Year Activity Report for the period 1 April to 31 October 2018.

The Chief Internal Auditor made the following points by way of introduction:-

1. The Audit Plan had been re-assessed to reflect changing circumstances within the Council and within the team.



2. 47% of completed Audit reviews had concluded limited / no level of assurance, compared to 50% at the same stage in 2017/18;

3. The recommendation implementation rate was currently at 86% implemented or partially implemented, compared to 88% in 2017/18; 4. 20 grants with a total value of £22.2m had been certified to date in 2018/19;

5. The Audit Plan was still behind schedule in the short term and temporary auditors had been employed to assist delivery;

6. A review of the advertisement for qualified auditors had been undertaken. It was believed that the level of salary was a contributing factor to the numbers who had seen the advertisement. This would need to be remedied in the medium term;

7. Additionally, revised plan delivery was based upon permanent recruitment for existing vacancies. The Chief Internal Auditor stated that given that the next report to Committee would be in March 2019 the Committee would be kept informed of resource position on a regular basis;

8. Table 1 showed the changes to the plan and the number of audits had been reduced with the rationale. It was highlighted that the Original Plan had been deliberately ambitious;

9. The report highlighted concerns relating to the level of assurances from Internal Audit coverage as illustrated graphically, with a continued declining trend on the control framework since 2014/15. The Chief Internal Auditor stated that this had been raised with the Head of Paid Service and the Corporate Leadership Board;

10. In respect of the Recommendations Implementation analysis, the number of partially implemented audit review recommendations needed to be addressed by management. Follow up reviews required further resource thus impacting on the number of planned reviews the service could undertake;

11. Grant Certification posed particular challenges on the service due to the short timescale requiring auditors to set aside other work so that the Council did not lose money;

12. The Chief Internal Auditor provided commentary on the summaries of completed audits contained within the paper. This included The School Places Planning and Allocation Process audit, for which there had been presented particular challenges with respect to the IT system and had therefore been treated with urgency;

13. An example where Internal Audit had played a “critical friend” role was highlighted in respect of project advice to the new Housing system. This had included ensuring issues relating to the management of risks prior to implementation being escalated to CLB;



14. Privileged Access Management to IT accounts heightened risk and therefore a Limited Assurance review was carried out and privacy access was restricted. A number of recommendations had been made as a result of the review of processes;

At this point Councillor Brain left. The following points arose from discussion:-

1. The Committee could help the audit service by reiterating to senior management the importance of implementing all audit review recommendations;
2. Councillor Negus, being mindful of the Bundred report and complaints about this Committee, noted that any audit review was always a risk as it could not cover unknown matters. The Chief Internal Auditor replied that the areas of planned coverage were kept under regular review in light of changing circumstances and emerging risks. The Plan was flexible so that it could accommodate any new significant areas.
3. Councillor Negus referred to the Appendix 1, Page 77 regarding School Places Planning & Allocation Process. He noted the requirement to have environmental issues at the heart of decision making and yet car journeys involved in attending preferred schools due to the education system's use of catchment areas meant that the Council had no influence on this environmental issue.

The Director – Finance advised that this matter could fall within OSMB's remit ie. how the Council delivered on strategic objectives;

6. Councillor Stevens asked whether the cost of auditing grants was built into grant expenditure and was informed that this was an area of work that had been progressed this year in order to manage Internal Audit costs.
7. The Director – Finance added that some grant permissions did not allow this. A strategy was currently being developed to indicate areas where activities were chargeable and time was built in for that activity;

The Committee was reminded of the recommendation and it was:-

Resolved – That the Audit Committee the internal Audit Activity Report for 1 April to 31 October 2018.

At this point Councillor Eddy left the meeting.

The Chair agreed to vary the order of the agenda so that Item 14 was considered next.

10. Annual Report of Local Government and Social Care Ombudsman Decisions.



The Head of Legal Services reported that Full Council had a statutory duty to consider Ombudsman decisions of maladministration or fault on the part of the Council. This Committee was asked to note those findings and refer them to Full Council. In 2017/18 twelve cases were upheld and they are summarised with action where appropriate in the Appendix.

The following points arose from discussion:-

1. Councillor Stevens referred to Complaint 3 – September 2017 and noted that it stated ‘no learning’. He was surprised that there was no learning from this complaint and was at odds with the Ombudsman letter accompanying the report which referred to ‘learning from complaints’. The Head of Legal Services agreed to clarify this point with the Complaints Team and report back to the Committee;
2. The presentation of other Local Authorities’ statistics made it difficult to draw conclusions and consideration should be given to an improved layout.

The Committee was reminded of the recommendation and it was:-

Resolved – That the Audit Committee note the report and refer to Full Council for consideration.

The Chair took the opportunity to add Chair’s Business to the agenda.

11. Chair’s Business.

Party Group Leads (PGL) had recently agreed that future changes to the Constitution would be considered by the Audit Committee with recommendations then made to full Council. The exception to this process being administrative/technical changes which would be delegated to the Monitoring Officer. It was proposed to take new Terms of Reference (ToR) for the Audit Committee to Full Council in December.

It was confirmed that the Mayor and PGL would be informally involved in future changes although some members questioned whether this would be the case.

It was agreed that the revised ToR be circulated to the Committee.

12. Internal Audit Half Year Investigation and Counter Fraud Update report.

The Chief Internal Auditor highlighted the following points by way of introduction:-

1. The Internal Audit Counter Fraud team continued to identify potential savings which covers its costs. This includes 16 tenancy fraud recoveries, which at this stage of the financial year, equates to approximately £1.5m notional savings. It was highlighted that the salary costs to produce such savings was a significantly lower figure.



2. The volume of workload was considerable with several on-going investigation of fraud or irregularity competing for priority with other proactive work which generate savings;
3. Page 100 of the half year report set out three examples of internal audit investigations undertaken;
4. Significant savings had also been achieved by proactive data matching for Non Domestic Rates Small Business Relief. This had involved collaborative work with Local Taxation and further work in this area was proposed when data sharing agreements with neighbouring authorities were in place;
5. The report also highlighted a key amnesty scheme as a significant project the team were planning to deliver in Spring 2019. This offered tenants the opportunity to relinquish their tenancy when they no longer needed it without legal ramifications. This involved a raised awareness campaign regarding tenancy fraud;
6. A Data Hub was a long term aspiration which would reflect the awareness that data was an essential tool in fraud detection and collaboration. A Stakeholder group of managers had been formed to assess options moving forward for the Council.

The following points arose from discussion:-

1. A Data Hub would be managed by the Counter Fraud team but the ownership of the software was dependent on whether the hub was bought in or in house;
2. There was a query relating to the ownership of data which may be utilised and it was confirmed that appropriate legislation would be followed which may include formal data sharing;
3. Greater resources were being directed to social care in relation to allegations of Direct Payment fraud;
4. It was confirmed that there were no changes to the way audit operated in relation to officer involvement. It was necessary to assess which cases to allocate resources to based on a likely worthwhile outcome. It was noted that there were different strands to the Audit Team. There was a separate governance structure for the savings programme and this Committee had considered that process;
5. Councillor Stevens referred the performance target of 30 council regains in respect of Tenancy Fraud and expressed discomfort with the language used. The Chief Internal Auditor reported that there had been favourable press coverage for this area of work;
6. The Committee was reminded of the Recommendation and it was:-

Resolved – That the Audit Committee notes the Internal Audit Counter Fraud report for the period of 1 April to 31 October 2018.



13. Internal Audit Quality Assurance Improvement Programme.

The Chief Internal Auditor made the following points by way of introduction:

1. Internal Audit was required to maintain a Quality Assurance improvement Programme (QAIP) and report against it annually in accordance with Public Sector Internal Audit Standards and it was reported that the QAIP essentially documented the quality assurance arrangements for the Internal Audit service;
2. An external Peer review of the service was carried out in February 2018 and the recommendations of the review were reported to this Committee in March 2018 and a report outlining progress against recommendations was reported to this Committee in September 2018;
3. Twelve accountable measures for Internal Audit Performance were set out in Appendix B and indicators 3 & 12 demonstrated that the section had met statutory deadlines in respect of both the Annual Internal Audit report and the draft Annual Governance Statement;
4. The Key Performance Indicators were reviewed on a monthly basis.
5. The Committee was reminded of the recommendation and it was:-

Resolved – That the Internal Audit Quality Assurance Programme be approved.

14. Internal Audit Updated Charter, Terms of Reference and Strategic Statement.

The Chief Internal Auditor made the following points by way of introduction:-

1. In accordance with Public Sector Internal Audit Standards Internal Audit was required to document the purpose, authority and responsibilities of the activity in the form of a charter;
2. The Charter has been updated and included
 - The processes in the event of the impairment of independence of Internal Audit – as set out in paragraphs 7.3 and 7.4 of the Appendix;
 - That Internal Audit no longer has line management responsibilities for the delivery of the Risk Management service.

The following points arose from discussion:-

1. The Chief Internal Auditor has direct access to the Chair of the Audit Committee and has the opportunity to meet with the Audit Committee in private without any officers present;



2. The Chair informed the Committee that Councillor Brain had requested him to raise in his absence. He requested that a paragraph be inserted into the Charter stating that the Chief Internal Auditor could not be disciplined or dismissed without the approval of the Chair or in their absence the Vice-Chair of the Audit Committee;
3. The Director – Finance confirmed this was the approach and should be stated within the Committee’s Terms of Reference. She agreed to confirm this;
4. The Committee was reminded of the Recommendation and it was:-

Resolved – That the annual update of the Internal Audit Charter, Terms of Reference and Strategic Statement be approved.

15. Treasury Management Mid-Year Report 2018/19.

The Interim Service Manager – Finance made the following points by way of introduction:-

1. This was a procedural update providing assurances that treasury management activities were in line with agreed strategy;
2. Borrowing was significantly less this year than anticipated at the start of the year and was partly due to the Cabinet decision not to continue with the Arena, slippage within the Capital Programme and higher cash balances;
3. Changes to interest rates were not anticipated yet and the yield for investment performance was 0.64% which was an increase on the benchmark of 0.44%.

The following points arose from discussion:-

1. Councillor Stevens referred to Page 146, Paragraph 46 which detailed the authorised limit for external debt agreed at Full Council as £960m and this had now been revised to £890. He questioned why this had been done. The Director – Finance replied that this was only an indication of the current position and reflected the reduced borrowing need from the Capital Programme. Full Council would be asked to note the position;



2. Councillor Stevens believed as a point of principle the Council should not have been limited by reducing the borrowing during a financial year. He was informed that the process was formulaic driven so that if a profile changed, in this case the Capital Programme, figures were amended accordingly.

3. The Committee was reminded of the Recommendation and it was:-

Resolved – That the Mid-Year Treasury Management report for 2018/19 be noted.

Meeting ended at 5.30 pm

CHAIR _____

