

Bristol City Council

Minutes of the Audit Committee

21 January 2019 at 2.00 pm



Members Present:-

Councillors: Olly Mead, Anthony Negus, Steve Pearce, Liz Radford, Clive Stevens and Simon Cookson

Officers in Attendance:-

Denise Murray (Director - Finance & Section 151 Officer), Jonathan Idle, Chris Holme (Interim Service Manager - Corporate Finance) and Tony Whitlock

1. Welcome, Introductions and Safety Information

Apologies were received from Cllr Shah and Adebola Adebayo

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

The Chair confirmed the appointment of Jonathan Idle as Chief Internal Auditor and offered his congratulations.

2. Declarations of Interest

There were none.

3. Minutes of Previous Meeting

16th October 2018

- a. It was confirmed that the draft minutes had been circulated to BDO and the Chair for further consideration as per the action of the last meeting. A new draft had then been circulated to the Members of the Committee for comment and no comments were received. Following a request after publication of the agenda, a further email outlining the changes with more explanation was sent.
- b. Councillors remained unsure of the changes made to the draft minutes following the meeting of 26th November with respect of the item 6 'BDO (External Auditor) drISA 260 report 2017/18' and



asked for a pdf of the tracked change document. It was agreed that the minutes would return for agreement at the next meeting.

- c. With reference to item 6, the Chair confirmed that any informal meeting would only be to agree the scope of the review.

26th November 2018

- a. Members discussed the potential of recording future meetings and it was confirmed that any member of the public could record meetings if they wished to do so.
- b. The Democratic Services Officer advised that the intention to record meetings should be discussed with the Monitoring Officer.

4. Action sheet

The action sheet (tracking actions at the 26th Nov meeting of the committee) was noted.

With reference to action 3, the Chair outlined the email correspondence with BDO in relation to the accounts, on behalf of the Committee and the response received.

The Director of Finance updated the Committee on progress re the accounts and that BDO had confirmed that this was now in the latter stages of the process. With reference to the former Chief Executive, additional information had been requested and details were currently being considered by the BDO Risk Team following which they would come back to officers in due course regarding the next steps. It is expected that any final report would be considered at an extraordinary meeting.

The representative of Grant Thornton confirmed he had contacted his relevant partners within BDO and concurred with the above re the accounts. He expected the handover at the end of the month.

The Director of Finance confirmed that appropriate authority regarding delegated signoff would be considered once the report had been received.

5. Public Forum

No items of public forum had been received.

6. Work Programme

The work programme was noted.

It was noted that the Inspection Agency report had been deferred to March.



7. External Audit Update Report

The Committee welcomed Jackson Murray of Grant Thornton to the meeting. He highlighted the following points within his report:

1. The implementation of the new accounting system for the Housing Revenue Account 'in year' raised an element of risk regarding the transfer and integrity of data. Similarly, the Housing Company was expected to be consolidated within group accounts during March 2019.
2. With regards to Value For Money and the three sub-criteria as set by national audit (p.40) it was highlighted that it was not a question of correct or incorrect decisions but of fully informed decision making.

Following questions from Members of the Committee the following points were clarified:

1. Grant Thornton would audit the Council, liaising with PWC (who audit the BCC Companies) prior to sign off.
2. Fraud was considered in terms of materiality. It was not the responsibility of the auditor to identify fraud, however, if specific fraud was identified then it was their responsibility to bring that forward.
3. Members highlighted the importance of defining aspects that should be included within any value for money audit and an understanding of value outside of financial aspects. Elements such as social value and loss to the City also needed to be addressed.
4. Grant Thornton had provided some advice on the Housing Company. When the appointment as external auditor was announced, that advice ceased and the Council sought other advisers. It was confirmed that Grant Thornton would audit the consolidated accounts of the housing company but not the housing company itself.
5. An update report would be presented in March. Transition information had been requested from BDO and if there were any issues which affected that timeline, these would be raised with finance officers and the Audit Committee. The annual audit report would be presented to the meeting following.

RESOLVED:

That the External Audit Update Report be noted.

8. Annual Whistleblowing Review

The Chief Internal Auditor presented the report outlining the audit review of Whistleblowing arrangements in Bristol City Council. The findings, in part, were based upon a limited response to a survey and should be considered in that context.

During the discussion the following points were highlighted:



1. All recommendations of the 2017-18 review had been implemented following the report to Audit Committee in March 2018 including improved awareness of the Council's Whistleblowing procedure with it being well communicated.
2. Whistleblowing referrals were relatively low. During a 9 months range of the current financial year there had been 5 incidences of whistleblowing. Survey responses indicated concern in the confidence that some staff have to report concerns.
3. A test exercise highlighted the need to improve the ease of reporting concerns.
4. Members highlighted that this could be viewed positively as people felt comfortable raising concerns through line managers. A question could be added to the annual staff survey to ascertain perception.
5. Reports of whistleblowing would be referred to Audit if it raised financial matters however, for the most part they were considered by HR. Members questioned whether the HR Committee received relevant reports of whistleblowing and the Chair of Audit Committee agreed to write to the Chair of HR Committee to ask.
6. It was not known if those who reported concerns through the whistleblowing process remained employed in the Council and if so, if they remained on the same grade.
7. Recommendations to management had been agreed for implementation.

RESOLVED –

The audit opinion on the 'Whistleblowing' arrangements in Bristol City Council was noted and recommendations for improvements supported.

9. Annual Review of the effectiveness of the system of Internal Audit

The Director: Finance presented the report, highlighting the following key points:

1. An assessment of Internal Audit has been undertaken by the Section 151 Officer and the report itself concluded that the Council had an effective system of internal audit. The in-house service had a sound base for undertaking audit activities meeting its objectives to provide audit, assurance and advisory support to the Council.
2. Focus remained on keeping up the momentum across the year to ensure quality of reports and the implementation of the recommendations of internal audit.

The following points arose from debate:

1. It was proposed that future reporting of the implementation of Internal Audit recommendations would be triggered by specific concerns of the Audit Committee or alternatively if there were delays in reasonable implementation of recommendations or failure to act.
2. 82% of respondees to the post audit questionnaire had awarded scores of good or above for the first half of 2018/19 which was similar to the previous year. Members requested that future review reports also contain previous year comparisons.
3. Reference was made to 'Contributing towards improving Audit Committee effectiveness' being marked as complete referred to the training and revisions to the Terms of Reference delivered by Internal Audit in the improving effectiveness over the last 13 months.



RESOLVED –

The findings and conclusions of the review of the effectiveness of the system of Internal Audit were noted.

10 Corporate Risk Register and Policy

The Committee welcomed Jan Cadby, Risk Manager to the meeting and heard the following points by way of introduction:

1. The report presented the progress made in embedding and maintained risk management arrangements.
2. The risks that consistently scored the same each quarter were challenged in order to understand the element of risk, why it had not improved or if it was no longer relevant.

The following comments arose from discussion:

1. Officers would consider the benefit of grouping by type of risk.
2. With reference to CRR19 (Tree Risks) Members were pleased that the risk was being taken seriously however, were concerned about the Quantified Tree Risk Assessment (QTRA) method for the inspection and recording of data.
3. Risk was associated with the High Needs Budget and whether the Government would fund overspend next financial year. This was a risk to the DSG overall, not simply the High Needs Block.
4. With reference to BCCC2 (Brexit), officers confirmed consideration of risk associated with known plans but also of the added unknown. The project Brexit Board was being led by the Director- Policy and Strategy. External factors and City Centre preparedness were considered in terms of the Council but also of the City.
5. Members highlighted risks that were not included; the financial and reputational risk of losing the arena and the lack of a transport interchange which included access to Temple Meads.
6. In response to a question with reference to BCCC1 (Flooding), Officers confirmed that the elements of risk to the prosperity and character of the City if barriers were established around the Cut would be outlined within the project report. It was noted that this was an example of links between project management and risk management.
7. Members were disappointed that CRR24 (Procurement and Contract Management Compliance) remained high risk despite voicing concerns previously. Officers confirmed it was a new risk on the corporate risk register and was under development. The Director- Finance reported that a new Head of Procurement would start in post in March and would work to improve compliance through the life of a contract as well as training and skills. Elements of good practice and shared practice would be explored going forward and there were future plans to speak to neighbouring authorities and WECA to consider regional procurement or across core cities.
8. A framework was used to manage reputational risk which was considered in terms of both risk and impact.



The Committee were given the opportunity to delve further into one of the risks in more detail at the next Audit Committee and following a discussion it was agreed to select 'CR9 - Safeguarding Vulnerable Children'.

The topic would be scoped to prevent duplication with the relevant Scrutiny Commission or the Corporate Parenting Panel although they would be asked if they want to have any input. The item would be first on the agenda.

RESOLVED –

That the Audit Committee comments on progress made on the Councils Risk Management arrangements, the revised Risk Management Assurance Policy and the Corporate Risk Report (CRR) be noted.

Councillor Steve Pearce left the meeting during the item.

11 Companies Audit and Assurance Arrangements

The Committee welcomed David Lawrence, Interim Liaison Director to the meeting and the following comments arose from discussion:

1. **It was clarified that comprehensive audit and data flows had been reported to the Audit Committee of each Company, and an assurance report to this Audit Committee during the year.**
2. Bristol Energy had already set up their Audit process and had weekly tasks in place to ensure they were not subject to fraud. More information was available to the Committee on request.
3. Freedom of Information requests would go direct to the relevant company unless they were of corporate concern in which case it would be directed to Shareholders Group. The same openness and rigorous process for FOI applied to the Companies as it did the Council.
4. The development of the business plan would be reported to OSM Board on its way to Cabinet. This would bring particular elements into the public domain.
5. An interim Managing Director of Bristol Energy was in place and would develop plans for Energy Networks and other projects. Recruitment had commenced for a permanent MD and six months had been allocated for that process. Interviews would draw out whether candidates supported the direction of travel for the Company.

RESOLVED –

The Audit Committee noted the audit and assurance arrangements of the Council trading companies.

Councillor Liz Radford left the meeting during this item.

12 Governance Tracking Report

The Director: Finance introduced the report to the Committee and the following points were highlighted in the following debate:



1. It had been decided that to avoid duplication, AGS11.1 (Member Development Programme) and AGS12.1 (Performance Management) would be monitored by Cabinet as part of the LGA improvement action plan. It was highlighted that Member Development was of increased importance around the time of the 2020 local elections.
2. It was agreed that going forward the Bundred Report Action Plan review would move to six monthly reports.
3. The AGS review would continue and take up some of the areas of continued weakness. The Committee were invited to highlight any elements considered necessary to carry forward.
4. The Council assets base was highlighted as an area with unresolved questions that needed continued attention. The Director: Finance confirmed that there was a large project resource in place to do work around asset mapping.

RESOLVED:

The Audit Committee noted the progress made to date against the action plan for 2016/17 and 2017/18 and comments made.

Meeting ended at 5.20 pm

CHAIR _____

