

Bristol City Council Minutes of the Audit Committee



23 November 2020 at 2pm.

Members Present:-

Councillors – Brain (Chair), Stevens (Vice-Chair), Kent, Jackson (Part), Mead, Gollop (Substitute)

Independent Members – Simon Cookson and Adebola Adebayo.

Officers in Attendance:-

Denise Murray – Director Finance and Section 151 Officer, Simba Muzarurwi – Chief Internal Auditor, Alison Mullis – Head of Internal Auditor, Michael Pilcher – Chief Accountant, Olga Loucheva – Senior Finance Business Partner, Tony Whitlock – Finance Business Partner, Nancy Rollason – Head of Legal Services, Allison Taylor – Democratic Services

1. Welcome, introductions, apologies and safety information

Apologies were received from Councillor Radford with Councillor Gollop substituting.

2. Declarations of Interest

None declared.

3. Minutes of the last meeting.

These were agreed as a correct record of the meeting.

Resolved – That the minutes are agreed as a correct record and signed by the Chair.

4. Action Sheet.

This was noted.

5. Public Forum.

This was received as follows:-

Questions

Councillor Jerome Thomas in relation to item 8. Not attending to ask supplementary question;
Suzanne Audrey in relation to items 8 and 9. In attendance – Supplementary question ‘Why is the Audit Committee not entitled to the same access as OSMB? The Audit Committee was not able to give



assurance if it did not have the access to relevant papers. In summary how can you do your job without such access?

Response from Chair – The Audit Committee was mostly able to access papers but there had been difficulties in certain areas. It was not a satisfactory situation.

Councillor Kent suggested, and it was agreed by the Committee, that all future responses to Public Forum questions provide a senior officer contact in relation to the response so that members could follow up outside of the meeting if required.

Statements received from:

Councillor Gollop – in relation to items 8 and 10;

Councillor Stevens – in relation to items 10, 12 and 15.

6. Work Programme

It was noted that the External Auditor's ISA260 report would now come to the 25 January Committee.

At this point Councillor Jackson left the meeting.

7. External Audit Update Report.

The External Auditor (Grant Thornton (GT)) representative reported as follows:-

1. He was optimistic that the report on the final accounts for 19/20 would be complete in time for the 25 January Committee;
2. Progress made against significant risk areas included the value of land and buildings, specialist long term investments, Goram Homes and the value of the Port of Bristol;
3. The value for money review has focused on Bristol Energy (BE) and work was well advanced. It was not possible to give the value for money finding until the report on the financial statement was complete. Therefore the value for money and the governance arrangements for BE would be reported to 25 January Committee;
4. Grant Thornton had received a request for a Public Interest report on BE and this would be considered at the value for money conclusion. Events might mean that disposal took place not in the year of the audit so it could be done separately;
5. As a result of the findings of a joint Ofsted and Care Quality Commission inspection it is considered that there is an additional significant value for money risk and the Statement of Action response will need to be considered;
6. There had been a formal objection to the Council's accounts but this was a governance and HR matter so would not hold up the opinion in January.

The following points arose from discussion:-

1. Independent Member, Simon Cookson, requested that, given the previous level of interest in accounting entries for BE, the report would set out all enquires made by the external auditors. The GT representative reassured the Committee that external experts would be brought in to



- provide advice and findings would be subject to an internal challenge of senior partners at GT to ensure that the work done was fulsome and proportionate to risk;
2. Councillor Gollop, with respect to BE events, stated that BCC made the decision to proceed with next steps before 31 March and this was on record. It was very clear that this was an adjustment post balance sheet event and BCC understood the effect of that. The GT representative confirmed that it would be necessary to establish events and conditions present at the balance sheet date in order to determine if it was pre or post balance sheet;
 3. Councillor Gollop remarked that the loss to the taxpayer was the same whether it was non-adjustable or adjustable;
 4. In response to a question on the Public Interest report's bearing on the value for money of the accounts the GT representative stated that there would be an appropriate level of satisfaction for the opinion on the financial statements. The Public Interest report allowed a more holistic form of reporting. He added that it was not possible to estimate the timeframe for a Public Interest report though it was noted that it had taken 9 months in Nottingham;
 5. Councillor Stevens remarked that the press releases regarding the losses for BE varied and this was damaging to democracy.

Resolved - That Grant Thornton's Audit Progress Report for 2019/20 be noted.

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

The report was summarised and it was noted:-

1. There had been 20 upheld complaints ie. where the Council had been found at fault and these had been remedied to the satisfaction of the Ombudsman;
2. The Ombudsman had criticised the delays in response which had arisen due to the introduction of a new IT system for complaints;
3. There had now been an adjustment to the system to resolve the issues and the numbers of staff increased to deal with complaints promptly.

The following points arose from discussion:-

1. The Chair expressed concern regarding the new IT system as the Committee had been previously assured that the system would improve response times. He asked that this report be appended to next year's report so that comparisons could be made;
2. It was noted that the majority of the upheld complaints had started on the old IT system and as it had been commissioned it became very difficult to recover information hence the delays;
3. It was noted that there was a discrepancy in the report of 140 resolved cases but 130 received. Officers agreed to check the figures before the report was presented to Full Council;

Resolved – That the report be noted and referred to Full Council for consideration.



9. Access to Information.

The Director – Legal and Democratic Services (DL&DS) introduced the report which detailed the different legal frameworks that governed access to information by members, including exempt information, and the rights of access to information for Audit Committee members.

The following points arose from discussion:-

1. A representative from Grant Thornton (GT) stated that the Audit Committee needed reasonable access in order to properly consider the ISA260. He confirmed that he was comfortable that procedures that informed the Committee were fit for purpose. This did not mean that the Committee needed absolute knowledge but that it saw what was necessary to be able to take decisions;
2. Councillor Gollop argued that the issue at heart was beyond what the Committee needed to know but was about what the Committee's responsibilities to deal with were. The Committee's terms of reference should have rights/needs way ahead of Scrutiny Committees;
3. The Director – Legal and Democratic Services confirmed that the Committee was not being denied access and the report was providing assurance on the different legal regime for inspecting documents. It was essential to operate within a legal framework created by Parliament and not go beyond this or it was possible to stray into ultra vires. He confirmed that there were various caveats when exercising the general power of competence;
4. Councillor Kent observed that Assistant Mayors had access to information that was not available to this Committee;
5. The DL&DS stated that the need to know basis was legitimate way of operating in a political environment and used, as an example, Councillor Gollop attending the Shareholder Group when there was no legal basis to do so but was an accepted mechanism;
6. Councillor Stevens observed that different Monitoring Officers had made different judgments on the public interest test. He asked for more weight on openness following the Nolan Principles as he believed public trust was declining. It was confirmed that the Chief Internal Auditor had access to anything deemed necessary.

Resolved – (3 for, 2 against) that the report be noted. (Councillor Jackson was absent)

10. Lord Mayor's Protocol.

The DL&DS summarised that the report formalised existing arrangements in written form. It would go before Full Council for adoption as part of the Constitution.

The Chair agreed with the contents of the report but suggested that next year a sentence be added to clarify that the role was politically neutral.



Resolved - That the Lord Mayor's Protocol be endorsed by the Committee prior to it being taken to Full Council on 8th December 20 for approval.

Councillor Jackson returned to the meeting.

11. Internal Audit Quality Assurance and Improvement Programme.

The Chief Internal Auditor (CIA) introduced the report as follows:-

1. The Internal Audit Charter and Internal Audit Strategy reflected minor changes from the documents that were reviewed and approved by the Committee in November 2019;
2. The QAIP included the update on the implementation of recommendations arising from the previous report and identified new improvement actions;
3. Attention was drawn to Paragraph 4.1 of Appendix 1 which set out the recommendations from the Peer Review Report and their current status;
4. The Quality Assurance Improvement Programme, Internal Audit Charter and Internal Audit Strategy were before the Committee for approval.

The following points arose from discussion:-

1. Councillor Stevens reported that a new Data Protection Officer was now in post and would be responsible for updating the Records Management Policy which had not taken place since 2014. It was suggested that the Committee should consider the updated policy in its new Work Programme for 21/22 municipal year and this was supported;
2. Councillor Gollop referred to Recommendation 7 of the set of recommendations in Paragraph 4.1 and expressed concern that auditors did not currently have sufficient knowledge of computer assisted audit techniques as he believed this was the only way the level of work could be dealt with. This was also linked to the current working from home practice. The Committee had learnt that Grant Thornton had carried out their audit remotely and he wished that the report had put more emphasis on this;
3. The CIA reported that the Internal Audit team were not unique as the shortage of IT audit skills was prevalent in all sectors and upskilling was underway in order to address the matter. It was not believed to be a risk that could not be mitigated;
4. Councillor Gollop suggested that IT procurement and related issues be added to the Work Programme as it was a major concern for Audit and Scrutiny Committees as there were a huge number of IT systems which were depended on for providing assurance and service delivery and the level of risk could be huge in the future;
5. The CIA responded that the imminent appointment of a Strategic Partner would bring sufficient IT audit skills to provide the assurance sought.

Resolved - That the following be approved by the Audit Committee:-

- 1. The Internal Audit Quality Assurance and Improvement Programme;**
- 2. The Internal Audit Charter;**
- 3. The Internal Audit Strategy.**



12. Internal Audit Update.

The CIA made the following points by way of introduction:-

1. The Committee considered a comprehensive report at its September meeting and this report updated the Committee;
2. The Covid 19 pandemic had impacted on the overall delivery of the internal audit service. As of 31 October 33% of the agreed audit plan had been completed to a draft report stage or a grant certification provided;
3. The second lockdown would put increased pressure on service delivery which was likely to extend the time audit work took as services would need to juggle service delivery priorities and audit commitments;
4. A Group Auditor post had been successfully filled and the recruitment of another Auditor was underway;
5. The annual audit plan would be reviewed and the revised plan would be considered by the Audit Committee in January.

The following points arose from discussion:-

1. Members of the Committee expressed sympathy for the difficulties experienced fulfilling internal audit responsibilities during the pandemic period;
2. It was noted that the assurance map would be considered at the March Committee;
3. Councillor Stevens enquired about who the Strategic Partner might be in case there was a conflict of interest and was informed that it was not possible to provide an identity at this stage of the procurement process. However, it was essential to acknowledge the need for appropriate expertise due to the complexities of the operating environment.

Resolved – That the Internal Audit Update Report from July to October 2020 be noted by the Audit Committee.

13. Counter Fraud Half Year Update Report.

The Audit Manager - Fraud was in attendance and made the following points by way of introduction:-

1. Work had been significantly impacted by the pandemic and during the first quarter two members of the Counter Fraud and Investigation team were redeployed to the Corporate Communications Team to assist with the Council's response to the pandemic;
2. Staff have been working closely with finance and local taxation colleagues to ensure a robust process was in place for further grant support;
3. £1.1m had been prevented from being paid out to fraudulent business grants;



4. There had been no cases of whistleblowing in the first quarter. The monitoring process had been refined so that progress was monitored and actions taken were reviewed and reported back to the Whistleblower;
5. Internal fraud awareness work on various communications had been undertaken across the Council;
6. The Counter Fraud policy had been revised to protect residents from fraud, the confirmation of a fraud portfolio holder and to better target investigative resource in tenancy fraud work.

The following points arose from discussion:-

1. It was not yet possible to evaluate how the £1.1m saved from being paid to fraudulent Covid business grants compared to the amount processed and how it benchmarked against other Local Authorities. It was noted that £99m was paid out in tranches 1 and 2;
2. Councillor Stevens referred to paragraph 8.2 on social care data and asked how fraud for direct payments was controlled and was informed that officers were working closely with direct payments team and social services in order to produce a plan for managing this situation;
3. Councillor Gollop referred to Section 7 on Fraud Investigation and noted that previously an analysis and comparison with other Local Authorities was provided and suggested that this along with more detail on the 2 resignations and 2 formal reports issued would be helpful in future reporting.

Resolved –

- 1. That the Counter Fraud Update report for the period of 1 April to October 2020 be noted by the Committee;**
- 2. That the Anti-Fraud, Bribery and Corruption Policy be approved by the Committee.**

14. Audit Committee Half Year Report.

The CIA stated that the report highlighted to Full Council the work of the Committee and the results of the Effectiveness Workshop.

The following points arose from discussion:-

1. Councillor Stevens informed the Committee that the workshop had concluded that the issues of trust and access to information were key to the effectiveness of the Committee. He suggested that the issue of better checks and balances for a more democratic Mayoral Authority be included in a future Work Programme;
2. Councillor Kent supported this work and felt some improvements could be made but it was more a matter of the law rather than the constitution. He also requested that a sentence be included regarding the Committee's request for greater access to information which had been rejected by the Monitoring Officer;
3. Councillor Gollop referred to table on Page 150 and the small content on the Statement of Accounts understated the reality ie. that it had been brought back to Committee several times due to changing circumstances. He supported the piece of work on a more democratic Mayoral Authority and the issues remained relevant if it was a Leader/Cabinet arrangement;



4. Independent Member Adebola Adebayo was informed that the work of external organisations and their governance was referenced in the table at the bottom of Page 144.

Resolved –

1. **That the half yearly report for Full Council be approved;**
2. **That the output and improvement actions from the Effectiveness workshop be noted**
3. **That training and development needs as set out in the discussion be noted.**

15. Treasury Management Mid-Year Report 20/21.

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

1. There were no policy changes to the strategy;
2. There was a net borrowing requirement of £215m over the next 5 years;
3. There were plans to borrow £10m this year to support the delivery of the capital programme and maintain adequate liquidity;
4. The Council had a high cash position which was partly in relation to significant grants related to the pandemic though it was noted that returns were low due to low interest rates;
5. Fixed term investments had not been worthwhile due to low returns.

The following points arose from discussion:-

1. It had been intended to refresh and realign the ethical investment policy but this had not been possible due to the pandemic but it remained a high priority;
2. The Chief Accountant agreed to provide Councillor Stevens with further information on the different metrics used for HRA borrowing outside of the meeting;
3. BCC received a certainty rate 20 points off the standard rate but this was not the case for all local authorities;
4. It was noted that Bristol Holding and its investments and loans did not fall under the definition from CIPFA of what constituted treasury management investments but would be reported in wider, strategic reported;
5. Councillor Gollop referred to Page 155 and the error regarding the number of days in September. He understood that this was a typo but noted that the public's perception regarding the accuracy of reporting could be questioned if basic errors were made in the report.

Resolved - That the Mid-Year Treasury Management report for 2020/21 be noted.

Meeting ended at 4.50pm.

