

Bristol City Council Minutes of the Audit Committee

23 November 2021 at 2pm



Members Present:-

Councillors: Gary Hopkins (Chair), Tony Dyer (Vice-Chair), Marley Bennett, Zoe Goodman, John Geater, Katy Grant, Jonathan Hucker, Farah Hussain, David Wilcox.

Independent Members of the Committee: Adebola Adebayo and Simon Cookson

Officer Attendees

Denise Murray – Director of Finance, Tim O’Gara – Director Legal and Democratic Services, Simba Muzarurwi – Chief Internal Auditor, Alison Mullis – Deputy Chief Internal Auditor, , Allison Taylor – Democratic Services.

Guest Attendees: -

Jon Roberts – Grant Thornton, Phil Eames – Audit Manager, Louise Lee – Investigations Manager, Malcolm Harding (Internal Audit – KPMG) Donald Graham – Interim Director Homes and Landlord Services, Zara Naylor – Service Manager Responsive Repairs, Stephen Beat – Head of Service - Adults, Theresa Jones – Head of applications and digital.

1 Welcome, Introductions and Safety Information

The Chair welcomed all parties to the meeting and introductions were made.

2 Apologies for absence.

None.

3 Declarations of Interest.

Councillor Dyer declared that since the last Audit Committee he had become the Chair of OSMB and with this role he had also become an independent observer on the Shareholder Group.

4. Chair's Business.

The Chair referred to an interview Councillor Cheney had recently done with The Bristol Cable and had been reported on the Bristol247 website and had been circulated to the Committee in advance of the meeting. He had found some comments surprising and suggested that he would write to Councillor Cheney and ask him to comment on its accuracy. The Committee was supportive of this and it was agreed that the Chair draft a letter to be circulated to the Committee for comment before sending to Councillor Cheney.



The representative from Grant Thornton was not in a position to comment as he had not yet seen the article.

Resolved – That the Chair send a letter to Councillor Cheney requesting his comments on the accuracy of the recent interview he had done with The Bristol Cable.

5. Minutes of Previous Meeting.

RESOLVED – that the minutes of 27 September be approved as a correct record and signed by the Chair.

6. Action Sheet.

This was noted.

7. Public Forum

It was noted that Public Forum Statements and Questions would be considered at the beginning of the respective item to which they related.

8. Work Programme.

This was noted.

9. Update regarding management actions in relation to Grant Thornton and Shareholder Governance Review Recommendations - November 21.

The Director – Legal and Democratic Services and the Director – Finance introduced the report with the following key points:-

1. This report was the latest update on two Grant Thornton reports on value for money audit findings and a review of governance arrangements for BCC subsidiaries published in January 2021. Following on from the reports a Cross-Party Working Group was set up to examine how recommendations arising from the report would be implemented by officers;
2. A second grant Thornton report on BCC governance arrangements was considered by this Committee at its last meeting;
3. In parallel the Shareholder Group commissioned Fiona Ross, Independent Shareholder Advisor and member of the Shareholder Group to undertake a review of the entire governance structure pertaining to the management of its wholly owned companies and was Appendix K to this report;
4. A lot of work had been done to address the original value for money report by taking forward management actions based on the recommendations in the report;
5. The second value for money report addressed wider Council activities and made 5 recommendations 2 of which were high risk; the dedicated school grant deficit and the capital budget setting. There was longer term work to drive improvements for these activities.

Questions were invited and the following points arose:-



1. The DfE had been happy with the progress on the Dedicated School Grant and the management plan would be considered by the School's Forum on 30 November;
2. The latest briefing was that the voluntary liquidation of Bristol Energy was 9% crystallised. Officers were confident that the final figure would be as indicated and there was low risk of this not being the case. The Chair requested that there be regular reports back on this matter to the Committee and asked for assurance that if there was a danger of the final figure being outside of the indicative figure this would be reported to the Audit Committee and he was assured of this.

Resolved – That the following items be noted by the Audit Committee :-

1. **The management actions update in relation to the second Grant Thornton report entitled “Report concerning the governance arrangements for Bristol Energy”.**
2. **The recommendations of the Shareholder Governance Review, and associated management actions update.**
3. **The management actions update in relation to the Grant Thornton report entitled “Value for Money Audit Findings for Bristol City Council”.**

10. External Audit Plan.

The representative from Grant Thornton (GT) stated that the report was later than normal as GT had needed to prioritise work on Bristol Energy. GT had provided an initial assessment and reported this to Audit Committee in the Summer.

The following points arose from questions:-

1. The Redmond report on the effectiveness of external audit and transparency of financial reporting in local authorities and the PSAA seeking to make improvements to systems leadership have meant that the world of audit had made improvements. This was reflected in the extra work now done on estimates, property investments and journals;
2. The estimates would become firm figures when reported back to this Committee in January 2022;
3. The Audit Committee was required to have a high level of detail in order to determine what went into the Statement of Accounts but GT was comfortable that processes and the framework could be approved without the Committee being experts in those matters;
4. The PSAA were responsible for appointing external auditors for local authorities by tendering on a local basis. They do consult the local authority before appointing. This new process was an improvement as it made the relationship with the local authority fully independent.

Resolved – That the report be noted.

11. Audit Committee Half Year report to Full Council (draft).

The Deputy Chief Internal Auditor stated that the report was in line with the Terms of Reference of the Audit Committee requiring the Committee to highlight key issues to Full Council half-yearly.

The following points arose from discussion:-

1. Councillor Dyer was confident that the report covered the key issues and in particular highlighted Bristol Energy governance and was confident that officers had worked with External Audit and



- Internal Audit to provide a consistent response;
2. It was noted that adult safeguarding work would be reported in the Annual Report to Full Council;
 3. Independent Member Simon Cookson reported a typo at page 143 of the Appendix to the report. He also suggested that the reports received at this meeting at item 9 concerning Value for Money for the subsidiaries could be highlighted at the Annual report to Full Council if necessary.
 4. Councillor Hucker was content that the report reflected the key issues.

Resolved - That the half-yearly report to Full Council be approved.

12. Debt Management Policy.

Councillor Wilcox was invited to ask a supplementary question in relation to the response he received to his Public Forum question on this report. The question and response was as follows :-

Q – Is the Council using bailiffs to retrieve money from council tenants?

A – There are statutory pathways for collection of unpaid monies and the Council aimed to reduce the need to use enforcement action whenever it could but there were always times when it was required. There were, therefore, potentially occasions where bailiffs might be used.

The Operations Manager Revenues summarized the report and invited questions. The following points arose from discussion :-

1. It was agreed to provide Councillor Wilcox with details concerning the numbers of times bailiffs have been used and for what type of debt. It was noted that there was no cost to the Council as their services were recovered from the customers;
2. It was noted that a report on Enforcement action would be considered by Cabinet in January and the Chair asked for early sight of this;
3. It was confirmed that each debt was treated on its own merits and both statutory and non-statutory letters were used to engage with customers. It was not possible to use housing benefit data. It was difficult to determine if customers were vulnerable and it required them to engage;
4. In reference to para 9.4 of the draft policy – it was reported that a care leaver was considered vulnerable up to the age of 25 as this was the definition of a young person. It was important to support these individuals in understanding their obligations;
5. Customers who had multiple sources of debt were supported with specialist debt advice;
6. It was noted that Cabinet had approved the creation of an ethical debt policy but officers had not been in a position to progress this until now due to the pandemic;
7. An implementation plan had yet to be developed;
8. The Director – Finance had delegated authority to refresh the policy if necessary for legislative or minor changes. Anything more significant would be considered by Cabinet.

Resolved - That the draft Corporate Debt Management Policy be noted.

13. Treasury Management Mid-Year Report.

The Public Forum question from Councillor Hucker and its response were noted. There was no supplementary question.



The Principal Accountant summarized the report and invited questions and the following point arose:-

1. A Councillor had been unable to find the Council's Ethical Investment policy on the BCC website so asked that it be sent to him. It was noted that it was currently under review and the subject of a Scrutiny Task and Finish Group whose recommendations would go to Cabinet and Full Council.

Resolved - That the Mid-Year Treasury Management report for 2021/22 be noted.

14. Internal Audit Half Year audit including summary audit reports.

The Chief Internal Auditor introduced the report stating that KPMG colleagues and officer colleagues were in attendance to present on audit reviews where there was a 'limited' level of assurance. He added that there had been good progress in implementing agreed management actions arising from internal audit reports. The report also sought the Committee's approval of the amendments to the 2021/22 Audit Plan. He invited questions and the following points arose:-

1. Reference was made to the companies' governance and asked for the rationale when this would be looked at again. The Chief Internal Auditor advised the area has been reviewed by the External Auditors and there was a separate external governance review commissioned by the Council during the year. The governance of companies would be reviewed next year as part of the 2022/23 internal audit plan.
2. It was confirmed that staffing resources had improved and it was proposed to remove 5 reviews from the plan so that there was adequate capacity to undertake existing reviews;
3. Page 211 – clarification required as to whether there were 22 or 23 grant certifications;
4. The safeguarding report was not included as it was a review from last year but the work had not been done until this year;
5. It was explained that 'N/A' was shown where work had been undertaken but no opinion was required.

The Committee then heard from the Audit Manager and relevant Senior Service Manager.

Appendix 2 – Responsive Repairs.

Internal Audit Findings.

There had been a limited assurance conclusion as the integrated housing management system was not being fully used to record costs and manage the activities of the service. The Director of Housing had a detailed dialogue with Internal Audit and it was agreed that a full procurement exercise should be carried out to ensure that the service had the best available suite of IT solutions. The service has provided fifteen detailed management actions to mitigate the eight main audit findings as set out in the report. Pending any IT solutions, the service would retain the use of Civica CX and explore how to maximize functionality.

Points arising from questions to Housing Management.

1. Assurance was given that repairs would be completed in a timely manner although it was noted that Covid had impacted on this. There had also been an increase in prices and inflation as a result of Covid and this had had a consequent increase in costs;
2. It was confirmed that there was a requirement for an effective IT system and it was hoped to build in quality control by developing a transactional arrangement with the customer so that they could report that work had been done satisfactorily;



3. It was confirmed that the IT Solution report was planned to be considered at Cabinet on 14 December;
4. Civica CX was managed by the housing team with corporate IT support. It was acknowledged that corporate IT did not have the skills to drive the plan forward so IT Consultants would be procured for a year to drive the plan forward to the satisfaction of Internal Audit, Housing and Corporate IT.

Appendix 3 – Adult Safeguarding.

Internal Audit Findings.

1. Internal Audit provided an opinion of “limited” assurance due to some improvements required around administration with particular emphasis on capturing “safeguarding concerns” and “safeguarding events” and timeliness of actions in progressing to a resolution along a clear pathway;
2. Although there were weaknesses in the processes, the audit did not identify any significant safeguarding incidents;
3. The findings recognise the key role Adult Social Care has had in the Council’s response to the COVID-19 pandemic;
4. Management had accepted the findings and worked closely with auditors to focus on a way to record activities and duties under the care act in a responsive and timely manner. The non-attendance of some agencies at the Keeping Bristol Safe Partnership had been addressed going forward but it was noted that this had been in the context of the Pandemic.

Points arising from questions to Adult Safeguarding Management.

1. It was acknowledged that the Liquid Logic Management System had some fixed elements that could not be changed so the Power B1 Database, which was a recording system used by Liquid Logic, was now being used in order to interpret data in real time and could be drilled down into by teams and individual workers;
2. The audit findings had been shared with the Keeping Bristol Safe Partnership and other organisations concerned.

Appendix 4 – IT Resilience.

Internal Audit Findings.

1. The review’s scope focused on leadership and governance, back-ups and recovery, incidence response planning and remote working;
2. Internal Audit obtained limited assurance that effective internal control and risk management measures were in place;
3. The review’s outcome produced 6 high priorities and 2 medium priority findings;
4. Leadership and Governance – the business continuity plan was out of date and had not been refreshed since 2015 and did not address the IT structure;
5. There was no IT disaster recovery planning and business impact assessments had not been carried out;
6. Back-ups and recovery – the level of replications could lead to outages if there is not sufficient back-ups in place;
7. Incident Response Planning – the corporate response did not include IT services and there was no separate plan owned by IT Services;
8. Remote working – It Services had made significant efforts to provide BCC staff with the infrastructure to work from home and the on-going testing had not been completed.



Points arising from questions to IT Services Management.

1. Management accepted the findings of the review and a plan had been developed to ensure that management actions were implemented within agreed timescales;
2. As part of the IT Transformation Programme the introduction of new servers on site would improve disaster recovery systems;
3. A report in January would provide a more accurate picture of timeframes for the management actions;
4. A member was assured that if there was still limited assurance the matter would come back to January Committee but if the opinion improved to satisfied then it would not come back;
5. It was noted that the two data centres were very close to each other and should there be a disaster it could impact them both. It was confirmed that there was a centre in Harrogate for disaster recovery but the main focus was to have critical systems on the cloud;
6. There were a couple of shared drives and the GIS system which were legacy kit and would be moved over in Spring 2022;
7. The Director of Legal and Democratic Services noted that IT Resilience was in the red category for risk and there were some sensitive issues which it would be prudent to hear about in confidential session for members. This was agreed.

Resolved –

1. **That the work of the Internal Audit team during the period of 1st April to 31st October 2021, and the results thereof be noted;**
2. **That the proposed amendments to the 2021/22 Internal Audit Plan be agreed.**

15. Counter Fraud Update Report.

An Audit Manager introduced the report and summarized key aspects of work undertaken and invited questions and the following points arose :-

1. Pupil Tracking Requests referred to children missing from education. The team dealt with these in order to establish whether children were being home schooled and if there were safeguarding issues. Sometimes families had moved abroad and left social housing empty;
2. Fraud Awareness week was currently being promoted on the Source.

Resolved - That the Counter Fraud Update report for the period of 1st April to October 2021 be noted.

16. Internal Audit Quality Assurance Improvement Programme.

The Public Forum question from the Chair and its response were noted. There was no supplementary question.

The Chief Internal Auditor summarized the report and invited questions. There were none.

Resolved - That the following be approved:-

- (i) **the Internal Audit Quality Assurance and Improvement Programme (QAIP) – Appendix 1;**
- (ii) **the Internal Audit Charter – Appendix 2; and**



(iii) the Internal Audit Strategy.

The meeting ended at 4.25pm

17 Date of Next Meeting

The next meeting is scheduled to be held on 31 January 2022

CHAIR _____









