

**Bristol City Council
Minutes of the Audit Committee**

27 June 2022 at 3.00 pm



Members Present:-

Councilors: Tony Dyer (Vice-Chair), Fabian Breckels, Richard Eddy (Substitute for Jon Hucker) Zoe Goodman, Katy Grant, Tim Kent (substitute for Andrew Brown) David Wilcox, Geoff Gollop (substitute for John Geater)

Independent Members of the Committee: Adebola Adebayo and Simon Cookson

Officers in Attendance:-

Denise Murray – Director of Finance, Simba Muzarurwi – Chief Internal Auditor, Alison Mullis – Deputy Chief Internal Auditor, Louise Lee – Internal Audit Manager, Phil Eames – Audit Manager.

Jon Roberts & Ginette Beal – Grant Thornton.

1 Welcome, Introductions and Safety Information

The Chair welcomed all parties to the meeting. The Committee noted the emergency evacuation procedure for the Council Chamber if required.

2 Apologies for absence.

Apologies for absence were received from Councillors Brown, Hucker and Geater.

3 Declarations of Interest.

There were none.

4. Confirmation of Chair for 22/23 Municipal Year.

This was noted as Councillor Andrew Brown.

5. Confirmation as Vice-Chair for 22/23 Municipal Year.

This was noted as Councillor Tony Dyer.

6. Committee Membership for 22/23 Municipal Year.

This was noted as follows:-



Councillor Fabian Breckels
Councillor Andrew Brown
Councillor Tony Dyer
Councillor John Geater
Councillor Zoe Goodman
Councillor Katy Grant
Councillor Jon Hucker
Councillor Hibaq Jama
Councillor David Wilcox
Independent Member Adebola Adebayo
Independent Member Simon Cookson.

The Chair took the opportunity to welcome new member, Councillor Breckels, to the Committee.

7. Membership of the Value & Ethics Sub-Committee.

This was noted as follows:-

Councillor Andrew Brown
Councillor Tony Dyer
Councillor Zoe Goodman
Councillor Jon Hucker
Independent Member Adebola Adebayo – Chair.

8. Date of future meetings for 22/23 Municipal Year.

These were noted as follows:-

26 July – 3.30pm
26 September 22
21 November 22
30 January 23
6 March 23 – 3pm.

9. Audit Committee Terms of Reference.

This was noted.

10. Minutes of Previous Meeting.

The Chair proposed an additional sentence to be added to the minute on Contract Management Update as follows '*Members asked about security controls being applied to ensure users were unable to access the system once they had ceased employment with the council*'. This was agreed.

Councillor Eddy on behalf of Councillor Hucker referred to the Minute on the Statement of Accounts, 2nd bullet point to amend from '*credit cash and debit creditors*' to '*debit cash and creditors*'. This was agreed.

RESOLVED – that the minutes of 8 March be approved as a correct record and signed by the Chair subject to the amendments noted above.



11. Action Sheet.

Action 3 – In response to an enquiry about socio/economic backgrounds of employees it was noted that HR Committee dealt with such matters.

The Action Sheet was noted.

12. Public Forum.

There was none.

13. Work Programme

The Committee noted the Work Programme for future meetings.

14. Interim Auditors Annual Report on Bristol City Council.

Jon Roberts and Ginette Beal, Grant Thornton, were in attendance for this item. The key findings of the report were summarised for the benefit of the Committee and the following discussion points followed:-

1. The Statement of Accounts 2020/21, although approved by the Audit Committee, had not yet been signed due to a new element of the CIPFA code which required all Local Authorities to produce a value on all infrastructure assets. This was proving a real challenge to Local Authorities due to the level of detail needed. CIPFA had therefore developed a proposal which was due to be considered by the CIPFA panel and then the Financial Reporting Advisory Board. The outcome of this would be known this week and if the proposals were approved progress could be made quickly;
2. Councillor Gollop observed that infrastructure assets would never be sold anyway and therefore suggested that the accounts could be signed with a note from Grant Thornton concerning the outstanding issue. The Director - Finance reported that this point had been reflected by BCC to CIPFA as part of its consultation. The LGA had also responded and it was hoped that CIPFA would be able to show some pragmatism;
3. GT had spent some time exploring why the majority of capital expenditure occurred in the final quarter of the financial year but had not been able to establish the reason. The Director – Finance observed that Local Authorities worked at a real pace to get capital expenditure over the line before the end of the financial year. She reported that Internal Audit had been asked to undertake a quick review to see if practices were appropriate. GT agreed to reappraise the Committee in 3 months on the matter;
4. In response to a question from Councillor Eddy GT were unable to comment on whether the costs of Bristol Beacon would increase beyond the current projected spend but reported that arrangements were more reliable now than they had been at the start of the project. It was noted that costs of goods were increasing which was also a risk;
5. Councillor Gollop found the report concerning. He was surprised by the level of overspend on the Bristol Beacon and it had all been written off because of the peppercorn rent. He asked whether an action plan would be produced to prioritise the recommendations and whether the Committee would be kept up to date on progress. The Director – Finance responded that there were 3 themes running through the recommendations – The need for recurrent savings, the development of



- procurement strategy in order to address breaches and financial sustainability as reflected in Dedicated Schools Grant deficit. Audit Committee and Scrutiny Commissions should focus on these areas. Simon Cookson stated that the breath of recommendations were helpful and that it would be helpful for the Committee to receive a formal update during the year in order to provide good assurance;
6. The Director – Finance, in response to an enquiry, reported that procurement breaches could come in a number of forms and were directorate wide;
 7. In relation to achieving sustainability for the Dedicated Schools Grant budget there were two DfE schemes – Safety Valve was for LA's who had achieved sustainability and Delivering Better Value which helped LA's to achieve sustainability. One scheme did not preclude you from another. In response to a question from Councillor Kent GT confirmed that they would expect a call on general balances and management to show how it managed and risk assessed the deficit in the context of its rules on general reserves. It would not expect to see a dedicated reserve;
 8. Councillor Breckels referred to Recommendation 2 and suggested that consideration should be given to other ways of bringing in revenue and that ideas be tested for viability. The Director – Finance replied that the Executive Director – Growth and Regeneration had led on developing propositions for 2022/23 and a long list had been whittled down to move forward with. It was a challenging situation and all avenues were being explored;
 9. GT confirmed that carbon and environmental measures being built into efficiency/effectiveness recommendations were raised last year and was an area to build into their risk assessment for value for money;
 10. The Committee noted that there was currently no procurement strategy as a commercial strategy was to be developed and would have incorporated procurement. Work was now underway with a Resources Commission Task and Finish Group tasked with developing it. It would not overlap with climate ambitions and would be an overarching strategy which didn't do too many things and aligned with the Council's other strategies;
 11. The Chair thanked GT for a comprehensive report and asked to be kept updated on the three themed areas for focus.

Resolved - That Grant Thornton's Interim Auditors Annual Report for 2020/21, focusing on their value for money assessment, along with an action plan agreed by management be noted.

15. Internal Audit Annual Report 2021/22.

The Chief Internal Auditor summarised the key areas of the report for the benefit of the Committee and the following discussion points followed:-

1. Councillor Eddy expressed concern regarding the number of ratings of limited assurance and whether IA had confidence in the current position. The CIA replied that the position was much better than in the past and the graph showed that progression. Management were giving priority to those areas of limited assurance;
2. It was confirmed that the BCC internal audit function had last been peer reviewed in 2018 and a further assessment would be done in this financial year by Nottingham City Council and the outcome from this would be reported to Committee in March 2023. A report outlining the terms of reference and timing will be presented to the Audit Committee in July.
3. Simon Cookson observed that the report showed robust risk-based assessments for which you



- would expect to find areas with limited assurance opinions and that IA were looking in the right areas;
4. In response to a question from Adebola Adebayo the CIA confirmed that the July Audit Committee would be given a management update on actions being taken on digital transformation;
 5. The CIA confirmed that references to 'N/A' in Appendix A indicated that IA were not required to provide an assurance opinion as the engagements related to either planning or advisory/consultancy work.
 6. BCC administered many grants, especially during the pandemic and upon review the CIA confirmed that all conditions had been met.

Resolved - That the Internal Audit Annual Report and the opinion on the Council's Internal control environment for the financial year ending 31 March 2022 be noted.

16. Fraud Annual Report 2021/22.

The Audit Manager summarised the key areas of the report for the benefit of the Committee and the following discussion points followed:-

1. Councillor Eddy thanked the team for the good work they did. He expressed concern that declarations were not being obtained biennially. The CIA responded that it was important that everyone understood their responsibilities and compliance would be enhanced by educating all in the relevant processes and procedures.
2. In response to a question from the Chair regarding the impact on the team as a result of the reduction in the Fraud Team in Dept of Work and Pensions (W&P) the Audit Manager reported that there had been a reduction in requests from W&P but those that did come were more complex. The Fraud Team tried to resolve cases where they could but they had limited powers.

Resolved – That the Fraud Annual Report for 2021/22 be noted.

17. Draft Annual Governance Statement 2021/22

The Director - Finance and the Deputy Chief Internal Auditor summarised the key areas of the report for the benefit of the Committee and the following discussion points followed:-

1. The Director – Finance clarified that a new CIPFA Financial Management Code came into effect on 1 April 2020. CIPFA understood that LA's would not be able to demonstrate compliance in 2020/21 due to Covid so it was considered a 'shadow year' with full compliance required by 31 March 22.
2. CLB and the Cabinet Member for Finance had commented on the AGS and final sign off would take place when the Statement of Accounts for 20/21 were ready for signing;
3. The Director – Finance confirmed that BCC did have a Section 25 Statement but had decided to include it in the body of the AGS report rather than attached as an appendix as it was a key statement which should have visibility;
4. Councillor Gollop suggested that the Dedicated School Grant (DSG) and SEND in Section 7 should be viewed as two separate items and not listed as one. He also highlighted why adult social care



pressures which were significant had not been referenced and whether the governance issues at WECA were a threat to funding projects for BCC. The Director – Finance replied that SEND and DSG were two separate issues but the increase in spend on SEND in tackling the backlog and delivering EHCP's in the timeframe was about delivering against need and it had been merged for this purpose. She added that adult social care was in the VFM report so did not need to be duplicated. Transformation and recurrent savings would be delivered as part of that work. The white paper coming through regarding reforming the service and the impacts on BCC would also be reflected. She acknowledged WECA governance would impact on the broader partnership as there were significant projects to be delivered collaboratively and there were therefore wider issues to overcome;

5. Councillor Gollop, in response, stated that adult social care was such a significant issue it should be a governance issue. There was an unknown funding gap for EHCP's which was potentially larger than the current deficit and he was not convinced it was being managed. The Director – Finance replied that it was not suggested that it was being managed. A deficit management plan was being developed in order to mitigate and turn the curve. It was recognised that it was a key issue and the work of scrutiny should not be duplicated;
6. The Chair stated that there might be some future joint Audit/OSMB deep dive work and that a lot of governance changes were coming through which would impact on how issues were addressed;
7. In relation to DSG and SEND backlog Councillor Goodman asked at what point did officers declare that it was not possible to cope. It was a non-manageable level of risk and caused great stress to officers. The Director – Finance replied that the challenges had been reported nationally for some time and BCC was not unique. She recognised it was also a local issue and there was a need to act sustainably as the schools did not have the reserves. There was going to be a need to make tougher decisions and the deficits were unsustainable. BCC continued to make representations to DfE for assistance so that a sustainable plan could be achieved and the books could be balanced. The Chair observed that the challenge of local government funding had been a major issue for some time.

Resolved –

1. That the draft Annual Governance Statement be agreed as a fair reflection of the internal control and governance environment during 2021/22 and to date, prior to it being finalised and signed by the Mayor, the Chief Executive, Section 151 Officer and Monitoring Officer;
2. That the FM Code Self-Assessment and improvement action planning be noted;
3. That progress in improving code compliance be monitored by Audit Committee.

18. Q4 2021/22 Corporate Risk Report Update.

The Director – Finance summarised the key areas of the report for the benefit of the Committee and the following discussion points followed:-

1. Adebola Adebayo referred to the dashboard and noted that it tended to stay the same from quarter to quarter but if it did change it tended to get worse and asked when was consideration of the gap between tolerance and risk occur taken. The Director – Finance replied that a new Risk Management System was now in place and would be used for the forthcoming Q1 report. This involved divisional management team meetings, Executive Director and CLB reviewing tolerances and considering



mitigations to turn the curve and where this did not succeed to review again. Officers were being trained on management of risk and the use of the new system. The Q1 report would be a reset and baseline and would provide much more information and exploration of management actions. It would come to the July Audit Committee;

2. Councillor Grant asked for further detail about the relationship between CRR9 (Safeguarding vulnerable children) and CRR45 (Failure to deliver statutory duty in respect of the safeguarding of children). The Director – Finance agreed to provide a written response to Councillor Grant;
3. It was agreed to move the matrix to the front of the report and to review the arrows colour/direction in order to improve clarity;
4. Councillor Kent referred to CRR36 (Risk to delivering required improvements from Ofsted/CQC SEND inspection) and suggested that improvement was not likely given the EHCP backlog. The Director – Finance replied that the focus of the risk was on the activity and it being delivered regardless of cost. The financial aspect was captured under financial sustainability;
5. Councillor Wilcox asked for an exempt session to discuss CRR5 (Business continuity and Council resilience), CRR7 (Cyber Security), CRR25 (Suitability of Line of Business (LOB) systems), CRR26 (IT resilience) and CRR 29 (Information Security Management System (ISMS)) and this was noted by the Chair.

Resolved - That the Audit Committee's review and comments on the Q4 2021/22 Corporate Risk Report (CRR)be noted.

19. Date of Next Meeting

The next meeting to be held on 26 July at 3.30pm

The Chair thanked everyone for their contribution. The meeting ended at 4.55pm

CHAIR _____





