

# Bristol City Council Minutes of the Audit Committee

30 May 2023 at 2pm



**Members Present:-** Brown (Chair), Dyer (Vice-Chair), Breckels, Geater, Goodman, Hucker, Poultney and Wilcox.

**Independent Members of the Committee:** Adebola Adebayo

**In Attendance:-**

Denise Murray – Director of Finance, Simba Muzarurwi – Chief Internal Auditor, Alison Mullis – Deputy Chief Internal Auditor, Richard Young – Head of Strategic Finance, Tony Whitlock – Finance Business Partner, Allison Taylor – Democratic Services

**Also attending:-**

Jon Roberts and Beth Bowers – Grant Thornton, Joachim Adenusi – Risk & Insurance Officer, Andrea Hobbs – Audit Manager, Phil Eames – Audit Manager.

## 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 received from Councillor Cole and Simon Cookson.

## 3 Declarations of Interest

There were none.

## 4 Confirmation of Chair.

It was noted that Councillor Brown had been appointed as Chair of Audit Committee by Full Council on 9 May 2023.

## 5 Confirmation of Vice-Chair.

It was noted that Councillor Dyer had been appointed as Chair of Audit Committee by Full Council on 9 May 2023.



## **6 Committee membership.**

The Committee noted that Councillor Cole replaced Councillor Jama and Councillor Poultney now replaced Councillor Grant. The membership was noted.

## **7 Membership of the Value and Ethics Sub-Committee.**

This was noted.

## **8 Dates of future meetings.**

These were noted.

## **9 Audit Committee Terms of Reference.**

This was noted.

## **10 Minutes of Previous Meeting.**

**RESOLVED – that the minutes of 6 March 2023 be approved as a correct record and signed by the Chair.**

## **11 Action Sheet.**

None arising from the last meeting.

## **12 Public Forum**

### **Supplementary Question 1 – Suzanne Audrey.**

‘When would the External Auditors 20/21 and 21/22 Opinion be issued?’

**Response from GT** – The 20/21 opinion would be issued this month. The 21/22 opinion was dependent on resolution of a national issue on pensions but should be issued by August.

### **Supplementary Question 2 – Suzanne Audrey.**

‘The issues raised in the draft 21/22 Annual Governance Summary of progress to date involved large amounts of money and assurance was sought that it was not the same issue regarding large contracts?’

**Response from Director of Finance** – A contract management system was now in place which provided robust tracking and monitoring of contracts. There were a number of factors in play which have driven the increases being experienced.

## **13 Work Programme**

The Committee noted the Work Programme for future meetings, and the Debt Write-Off reports and future joint working with Scrutiny Commissions was highlighted.



It was agreed that item 21 be considered after item 16.

#### **14 Grant Thorntons 20/21 Audit Opinion (ISA 260) Report for 20/21.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. Page 10 – There had been an adjustment for 21/22 due to the incorrect basis of evaluation of BCC assets. It was clarified that the assets had been evaluated under existing methodology but this had now moved to depreciated replacement cost so there was an uplift in the evaluation as it showed the true cost to replace the asset. The assets were physically evaluated every 5 years and in between they were desk-top evaluated. If there was significant movement the values were adjusted;
2. The infrastructure accounting issue prescribed by CIPFA had been impossible to comply with for large LA's so CIPFA had introduced benchmarked assets, however they were at odds with BCC's evaluations. It was recommended that BCC aligns its assets with the CIPFA benchmark;
3. It was hoped to sign off the report in a 2 week period;
4. A Councillor stated that he was comfortable with the context and nature of the adjustments and pleased to have them signed off and it was unfortunate that the CIPFA issue had meant they were not signed off in March 22;
5. The £20m housing adjustment was very small percentage wise but had been highlighted based on revenue expenditure.

**Resolved – That GT's Audit Report for 2020/21 and the action plan agreed by management be noted.**

#### **15 Internal Audit Annual Report 2022/23.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. With reference to Page 32, para. 3.9 assurances were sought regarding the agreed management actions of 81% which was a deterioration from the previous year. In response, the Committee was informed that CLB had a dedicated process for monitoring and there were regular reports at CLB;
2. It was agreed to highlight if there were particular Directorates or work areas underperforming for future reports;
3. It was noted that where 'N/A' was shown this indicated that IA had completed advisory or consultancy work which did not require an assurance opinion.
4. The CIA advised that he was not satisfied with the progress being made in the implementation of agreed actions in Q3 and Q4 but BCC was in a much better position that it was 2 years ago. The proactive implementation of actions would be helped by using the audit management system and other available tools properly.
5. It was noted that capacity would always be a challenge when addressing priorities identified. It was important to make sure easy to fix actions were carried out and there would always be areas where it was not possible to meet targets;
6. The CIA assured the Committee that there were enough resources to address priorities and if that changed he would advise the Committee;
7. The Director – Finance added that 22/23 had been an unprecedented financial year post-pandemic and with an increase in demand for services. The urgent requirement to deliver savings had taken a



lot of time and resource. CLB recognised that there was a need for a framework for greater accountability and not an expectation on IA chasing management actions.

**Resolved - That the Internal audit report and opinion on the Council's Internal control environment for the financial year ending 31 March 2023 be noted.**

## **16 Fraud Annual Report 2022/23.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. In response to a question regarding contractual fraud and how BCC can ensure that it gets what it paid for and the product was of a correct standard it was reported that procurement was very difficult to investigate. Risk assessments were carried out and mitigations were put in place and the procurement team were required to take ownership of the work. The Director – Finance added that the Contract and procurement team had now been centralised whereas they had previously been in different areas. There were also KPI's which should help identify issues. The process would never be full proof;
2. It was confirmed that all BCC staff were required to undertake an online fraud course;
3. Regarding benefits it was noted that BCC systems were not linked to HMRC but it was moving more that way;
4. Whistleblowing referrals were addressed in different ways dependent on their nature. If there were several referrals in one area IA would investigate that area;
5. There was no commitment to expanding the Blue Badge exercise to other areas of work – the drive was risk;
6. There were high fraud areas in Local Government so the approach was based on focussing on areas likely to provide value for money and therefore best outcomes. It was always a balance. Work on fraud prevention would provide a clear matrix of what to prioritise.

**Resolved - That the Fraud Annual Report for 2022/23 be noted.**

## **17 Draft 2021/22 Annual Governance Statement Summary of Progress to Date.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It was noted that some areas would be considered by joint discussion with OSMB. It was helpful that the Chair of Audit was now a member on OSMB;
2. It was agreed that the areas of breaches could be added to the Work Programme for future consideration and these could also be addressed at member briefings;
3. The Director – Finance confirmed that all monitoring and tracking arrangements would come as an expense to other things. It was important to do it right and do it well;
4. The CIA stated that procurement rules and audit actions required monitoring and tracking. It was important to take advantage of technology to save time on these activities.



**Resolved – That the progress made to date to implement governance improvements and recommendations from the draft 2021/22 Annual Governance Statement (AGS) be noted.**

Councillor Poultney left the meeting.

### **18 Draft Annual Governance Statement 2022/23.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It was noted that there was an error at para. 3.2 and it should read '22/23';
2. It was reported that there had been a deal of conjecture in the public domain regarding the DS Grant causing the Council to become bankrupt and assurance was sought on this. The Director – Finance replied that it was very clear that it provided a major challenge in relation to the increased financial deficit and the unmitigated position if nothing else changed was transparent in the Council's agreed budget. This unmitigated pressure required a mitigation plan and this had been developed with the DfE and provided some outcomes and a clear plan which had been considered at Bristol School Forum. The Council was working with stakeholders to turn the curve and the potential benefits were significant. The Council would never consider a do nothing option;
3. It was noted that every saving proposition was reviewed on a tracker. £6m had been earmarked to cover some of the savings and there had been a delay in consultation;
4. In reference to para. 3.3, it was noted that the Audit Committee could be a 2<sup>nd</sup> or 3<sup>rd</sup> line of assurance;
5. The Chair referred to para 2.2 and suggested the narrative around shielding from government cuts in 25/26 could be made clearer for the reader;
6. Page 76 – Principles of good financial management – it states 'error – ref source not found' – to be corrected.

**Resolved –**

1. **That the Annual Governance Statement be agreed as a fair reflection of the internal control and governance environment during 2022/23 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.**

### **19 Internal Audit 2023/24 Q2 Priorities.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It had been agreed with WECA that BCC's IA team would provide 60 days' worth of IA work for WECA;
2. It was agreed to include in Q3 Plan report at September's meeting the days dedicated to review work;
3. It was noted that the DSG Improvement Plan and the IT Transformation Programme were top priorities as they were so important to the organisation and were essential to deliver;
4. It was noted that some reviews provided an embedded assurance with no opinion assurance given. Each quarter an update report is produced and if there are concerns regarding assurance this would be raised with the service area;
5. The CIA confirmed that there was sufficient resources to deliver Q2 priorities;



6. The Chair observed that he was pleased to see BCC's governance arrangements on the plan in preparedness for the new Committee governance arrangements.

**Resolved – That the proposed Internal Audit 2023/24 Q2 priorities be approved.**

Councillor Poultney returned to the meeting.

## **20 Statement of Accounts Year Ended 31 March 2021.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

The Chair requested the Committee to focus on account amendments as the substantive accounts had been previously fully discussed and agreed.

1. There were no new material changes, just matters of presentation and commentary;
2. It was noted that the Letter of Representation had not been appended to the report and it was agreed to circulate it to the Committee.

**Resolved – That the Statement of Accounts for the year ended 31 March 2021 be approved.**

## **21 Draft Statement of Accounts 2022/23.**

The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. It was reported that the revised report on pensions was still awaited and it could alter the accounts;
2. The expense of employing Interim Managers was noted and it was hoped that every effort was made to put staff on payroll rather than paying agencies;
3. It was noted that there was significant variance in the forecast and outturn (as set out on Page 202). The Director – Finance explained that the pay award had not been confirmed when the budget was set and these figures were actual accounts being transferred to various service areas;
4. There had been a downward variation in all classes of investment properties;
5. It was questioned whether the deficit on the provision of services of £180m should be the same in the Comprehensive Income & Expenditure Account and the Movement in Reserves Statement. It was confirmed it should be the same and would be reviewed;
6. The CIPFA Code set out the format for the movement of investment properties;
7. In relation to capital investment the detail will be available in the Autumn report on a scheme by scheme basis;
8. It was agreed to provide the Chair outside of the meeting how much had been raised through grant funding and operating surpluses from the Clean Air Zone;
9. It was agreed to provide the Chair outside of the meeting whether the City Leap figure at page 208 should be minus 2.24 or plus 2.24.

**Resolved – That the draft, unaudited Statement of Accounts for 2022/23, be noted.**

## **22 Q4 2022/23 Corporate Risk Report Update.**



The report was summarised for the benefit of the Committee and the following points arose from discussion:-

1. CRR41 had not been updated since November 2022. It was agreed to respond to Councillor Willcox outside of the meeting the reason for this;
2. It was confirmed that OPP1 was looking back when the City Office was staffed;
3. CRR18 – it was noted that there had been no mitigations to address. It was agreed to respond to Councillor Poultney outside of the meeting the reason for this;
4. The Chair observed that there was no target date for mitigations or a narrative for how active mitigations were progressing. He also observed that it was difficult to see whether everything possible had been done to mitigate a risk.

**Resolved – That the Q4 2022/23 Corporate Risk Report (CRR) be noted.**

### **23 Senior Information Risk Owner Update.**

The Committee noted the absence of the Director – Legal and Democratic Services and it was agreed that any questions on the content of the report should be directed to him outside of the meeting for response.

**Resolved – That the report be noted.**

### **24 Date of Next Meeting**

The next meeting is scheduled to be held at on 24 July 2023 at 3pm.

The meeting ended at 4.35pm.

**CHAIR** \_\_\_\_\_











