

Audit Committee



Agenda

Date: Thursday, 26 July 2018

Time: 1.00 pm

Venue: Meeting room, City Hall

Distribution:

Councillors: Mark Brain, Olly Mead, Anthony Negus, Steve Pearce, Liz Radford, Afzal Shah, Clive Stevens, **Adebola Adebayo and Simon Cookson**

Copies to: Mike Jackson, Denise Murray (Executive Director: Resources (Acting)), Quentin Baker, Shahzia Daya (Director - Legal and Democratic Services), Nancy Rollason (Service Manager Legal), Jonathan Idle, Melanie Henchy-McCarthy, Alison Mullis, Chris Holme (Director: Finance (Interim)), Tony Whitlock, Ian Hird (Democratic Services Officer), Andrea Dell (Service Manager Democratic Engagement) and Jeremy Livitt

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Date: Wednesday, 18 July 2018

Agenda

1. Apologies and safety information

1.00 pm

SAFETY INFORMATION – PLEASE NOTE:

1. There are no planned fire alarm tests or drills. If the alarm sounds, please exit the room via the main entrance lobby at the front of the building.
2. Please then exit the building via the front ramp and assemble at the fire assembly point, which is on the paved area between the side entrance of the cathedral and the roundabout at the Deanery Road end of the building.
3. Please follow the instructions of the fire wardens and security staff on hand. Please do not return to the building until instructed to do so by fire wardens.

2. Declarations of interest

To note any declarations of interest from councillors. They are asked to indicate the relevant agenda item, the nature of the interest and in particular whether it is a **disclosable pecuniary interest**.

Any declaration of interest made at the meeting which is not on the register of interests should be notified to the Monitoring Officer for inclusion.

3. Minutes of previous meetings - to be confirmed as a correct record

- a. Minutes – Audit Committee – 29 March 2018
- b. Minutes – Extraordinary Audit Committee – 2 May 2018
- c. Minutes – Audit Committee – 31 May 2018

(Pages 4 - 28)

4. Action sheet from previous meeting

(Pages 29 - 30)

5. Public forum

Up to 30 minutes is allowed for this item. Public forum items must be about matters that fall within the remit of the Audit Committee.

Any member of the public or councillor may participate in public forum. Public forum items should be emailed to democratic.services@bristol.gov.uk

Please note that the following deadlines will apply in relation to this meeting:

Questions - Written questions must be submitted by 5.00 pm on Friday 20



July 2018 at latest.

Petitions and statements - Petitions / written statements must be submitted by 12.00 noon on Wednesday 25 July 2018 at latest.

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| 6. Work programme | (Pages 31 - 32) |
| 7. Final Statement of Accounts 2017-18 | 1.20 pm
(Pages 33 - 35) |
| 8. External Auditor ISA 260 report | 1.50 pm
(Pages 36 - 38) |
| 9. Internal Audit activity report | 2.20 pm
(Pages 39 - 70) |
| 10. Final Annual Governance Statement 2017-18 | 2.50 pm
(Pages 71 - 97) |
| 11. Corporate risk register & risk management report | 3.10 pm
(Pages 98 - 113) |
| 12. Update Audit Committee terms of reference and establishment of Values & Ethics Sub-Committee | 3.40 pm
(Pages 114 - 123) |
| 13. Audit Committee Programmes relating to the Bristol City Council wholly owned companies | 4.10 pm
(Pages 124 - 129) |
| 14. GDPR update | 4.30 pm
(Pages 130 - 133) |
| 15. Exempt Appendix (A2) to Item 9.1 | (Pages 134 - 138) |



Bristol City Council Minutes of the Audit Committee 29 March 2018



Members present:-

Councillors: Jos Clark (Chair), Olly Mead, Steve Pearce, Clive Stevens, Mark Weston (substitute for Liz Radford)

Independent Members: Adebola Adebayo and Simon Cookson

Officers in attendance:-

Jonathan Idle, Alison Mullis, Denise Murray, Chris Holme, Nancy Rollason, Shahzia Daya, Tony Whitlock and Jeremy Livitt

Apologies for absence: Councillors Afzal Shah, Barry Clark and Liz Radford

Also in attendance (for Agenda Item 8): Greg Rubins and David Eagles (BDO)

1. Welcome, apologies and safety information

The Chair welcomed all parties to the meeting. Apologies were received from Councillor Afzal Shah, Councillor Barry Clark and Councillor Liz Radford.

2. Declarations of interest

There were no declarations of interest.

3. Minutes of previous meeting

The committee approved the minutes of the previous meeting held on 25 January 2018 as a correct record.

4. Action sheet from previous meeting

The committee noted the action sheet from the previous meeting. The following was noted:



- The revised Code of Governance would form part of the constitution. An update would be submitted to Full Council on 22 May 2018.
- Officers indicated that they would pass on councillors' request to see the amended Code prior to it being submitted to Full Council; also to clarify whether amendments can be submitted at or before Full Council to the Code of Governance by members. Action - Nancy Rollason
- It was noted that Action 2 (BDO's 2016/17 Grants Report – Housing Benefit Subsidy) had been completed.
- Complaints – members wanted to know if any themes were emerging and requested a report from the Monitoring Officer. Action – Nancy Rollason

5. Public forum

The committee received public forum questions from Alderman Brian Price, together with answers as follows:

Question 1 - Audit Committee – 29 March 2018

Dear BCC Audit Committee

In the light of Item 16 of your meeting of 21st Sept 2017: Underspent returned grants 2016-17.

Q1. What definite Returns/Claw Backs of Grants have been identified for 2017/18?

Q2. What potential Returns/Claw Backs of Grants have been identified for 2017/18?

Thanking you in anticipation of written answers.

Alderman Brian Price.

REPLY:

Q1. A: Only one grant has been identified as requiring a partial return in 2017/18. This relates to a capital grant for work at Windmill City Farm Nursery. Originally £740k was awarded by the Education & Skills Funding Agency (ESFA) to build a new block on the site. However Windmill City Farm trustees rejected the offer as being against the ethos of the nursery because the proposed build compromised too much of the existing outdoor play space.

An alternative scheme has now been developed around redeveloping an existing building on the site which will deliver some additional capacity. The new proposals have been agreed by trustees. As this has led to an overall reduction in total project costs, £493k from the original grant allocation will be returned to the ESFA.

Q2 A: At this time no other potential returns of any further grants have been identified for 2017/18.

6. Work programme

The committee noted the work programme. The following points were made:



- Officers agreed to arrange for a position update on the arrangements for grants for Looked After Children. Action: Denise Murray
- There had been some slippage this year with reports. In future, officers were urged to ensure that the work timetable was adhered to as closely as possible and if there were difficulties, to ensure the committee was kept informed. Action: Chris Holme/Denise Murray
- Ethical Standards consultation – consultation was due to end on 18 May 2018. Since the next meeting of the Audit Committee was not scheduled until 24 May 2018, it was proposed that officers prepare a written response based on the consultation requesting observations and then send them off. If necessary, an informal meeting would take place. Action: Nancy Rollason
- Corporate Risk Register update – This is due to be submitted to Cabinet in June 2018 and received by the Audit Committee in July 2018. This will align consideration of risk to quarterly reporting of finance, performance and risk.
- Bundred Action Plan Tracker – this will be received by the Committee every six months unless also necessary in the intervening periods.

7. Bundred Report and Annual Governance Statement Tracker

The committee discussed the Bundred report and Annual Governance Statement Tracker. The following comments were made:

- B18: Officers advised that the new decision pathway had been recently introduced and had now been approved and published. Although it was noted that there was no specific reference to scrutiny, this formed part of the process. It had been signed off by the Mayor and the new strategic board. Any future issues concerning the pathway would be dealt with as required.
- Officers drew the committee's attention to the table setting out the details, together with recommendations. Some areas remained only 50% complete (ie Finance) which reflects the scale of the journey completed and what remained to be done. Future focus needed to concentrate on peer reviews and culture
- At the end of the year, 77% of actions were still listed as amber. The Chief Internal Auditor commented that the tracking related to areas where it had been concluded there were "significant governance issues" within the Annual Governance Statement for 2016/17, commenting that these had been included within the Council's Accounts for 2016/17 and had been agreed by the Audit Committee. In this context, it could have reasonably been expected that a higher level of implementation would have occurred. The level of implementation of significant governance issues would need to be reflected in the Annual Internal Audit report and the Annual Governance Statement for 2017/18.
- Officers stated that target dates for completion were set out.
- Officers confirmed that the Corporate Risk Register was being refreshed with a new approach which would test and mitigate options.
- Officers stated that arrangements for accelerating the process were working. Audit Committee could ask for more a more detailed briefing if required.



- Members stated that in the past there had been greater style than substance in the preparation of information. This situation had improved recently. Shorter notes were often preferable to a fuller report, with links being a useful tool to supplement information as required. Officers pointed out that Bundred had criticised the lack of sufficient detail /information. As a result, information was provided either through a presentation or a detailed report.
- B39 and B40: Whilst most officers would readily provide information to councillors if required, members stated that it was not always clear where members should go to obtain information. Members didn't always know what they were entitled to see. Officers were requested to remind all members about this – Action - Nancy Rollason to brief Members.
In addition, some existing generic e-mails were unhelpful and, in some cases, needed to be updated. Officers advised that they represented all councillors in as open and transparent a way as possible unless a report was exempt. Action: Officers to check generic e-mail addresses and provide information for councillors to assist them in reducing the amount of time that it can take for them to get information that they require as part of their casework – Denise Murray
- Officers noted concerns from the Independent Members that there needed to be a proper indication where actions were not on track for delivery, in addition to an assessment of what the risks are and how to manage them. It was pointed out that those items which were identified as amber required further action. However, it was acknowledged that a narrative could also be provided. Action: Denise Murray
- There were 85 recommendations in the Bundred report. The volume of work required was huge. Officers were working as hard as possible to ensure these were completed. Whilst most of the work was completed, it was hoped to embed the required frameworks by 2019.
- In response to members' concerns that a large number of items remained in amber with no completion date, officers confirmed that this was part of the restructure process. Until this was carried out, the appropriate assessment centre work to identify completion dates could not be made. It was acknowledged that there had been a marked improvement in terms of the Medium Term Financial Plan and the budget process.
- Whilst overall staff morale had significantly improved, work still remained in this area.
- Officers agreed to confirm why 9 out of 17 items originally listed as amber were now listed as green. Action: Denise Murray

Resolved – that the report be noted.

8. BDO's planning report to the Audit Committee 2017-18

David Eagles and Greg Rubins (BDO - External Auditors) introduced this report. They made the following points:

- Page 58 set out the timetable of work. Some initial meetings had taken place with finance to ensure that the timetable could be met.
- Following an early valuation of assets on 1 December 2017, work was still required to ensure that these were still valid as of 31 March 2018
- The following areas of greater risk had been identified: (1) Group Accounts – PWC (2) Pensions – Grant Thornton.



- Anything above 2% of materiality level above actual gross expenditure in 2016/17 would be reported.
- Members' attention was drawn to Page 63 setting out the Key Audit Risk and Page 64 setting out the property, plant and equipment, investment property valuations and pension liability assumptions.
- In response to members' concerns that the National Non Domestic rate (NNDR) was not red, it was noted that this was the subject of a separate review.
- The External Auditors noted concerns that liabilities could be overvalued and the deficit was not sufficiently reduced, this could lead to future intervention by the Secretary of State. However, they pointed out that the ranges were fixed and were an issue for all local authorities. Therefore, issues such as longevity could not be commented on. However, local assumptions could be examined (ie pay increases). In addition, other issues such as the Brunel Pension Pool were outside the scope of their work.
- The External Auditors confirmed that collection funds would be a part of their assessment of the Medium Term Financial Strategy.
- It was noted that it was still a challenging environment to ensure sustainable finances.
- Details of audit fees were set out.

Resolved – that the report be noted.

9. Internal Audit - Draft Plan 2018-19

The Head of Internal Audit introduced this report and made the following points:

- Internal audit are a key assurance provider to the Audit Committee and thus the Committee need to ensure the audit work plan will provide the assurances they require.
- The plan sets out a draft work programme that should enable the required annual internal audit opinion on the risk management, internal control and governance arrangements to be formed at the end of the financial year and reported to management and the Audit Committee.
- Details of how the plan was formulated are contained in the report. Liaison with external audit is ongoing to ensure there is no duplication of work.
- Resources required to deliver the plan are set out in the report. Available resources fall short of estimated requirements as the team is carrying vacancies pending the skills review currently in progress. A methodology is being developed to distinguish core and non core work to help address this imbalance. Where appropriate, a fee structure for non core work is being researched which may support delivery of the core programme. However, should amendments to the plan be required, this will done in agreement with the Audit Committee.
- Key features of the plan are set out in the report. Notably, the team has stepped away from facilitation of risk management to enable formulation of an independent opinion on these arrangements. Assurance mapping of the highest risks in the corporate risk registers is an area of development and will inform that work. Using an 'embedded assurance' approach to auditing



projects and programmes should support improvements across the Council in delivering successful projects. The team also plans to continue to deliver an extensive counter-fraud programme.

- Arrangements to monitor delivery of the plan and the internal audit team's performance are also detailed in the report.
- The Audit Committee were asked to approve the draft plan.

The following responses were provided in response to Members' questions:

- The plan for 2017/18 included areas identified by the governance review and the activity report for the year to date (agenda item 12) detailed those areas. The plan for 2018/19 also contained work in some of these areas where they were not covered in 2017/18.
- A comparison of resources availability and planned resource allocations for the previous two years is available and will be provided to Committee members. Action: Alison Mullis/Jonathan Idle.
- Further details can be provided to the Committee on assurance mapping as this work progresses.

Action Alison Mullis/Jonathan Idle.

Resolved: That the Internal Audit Plan for 2018/19 be approved.

10. Whistleblowing Arrangements - Annual Review

The Head of Internal Audit made the following points:

- In accordance with best practice, an Annual Audit of whistle blowing arrangements had been prepared and was submitted to Audit Committee.
- A whistleblowing process is in place to report and record concerns. The process was revised and refreshed in February 2017 and at the launch of the new arrangements, details were publicised. Further awareness raising has not however occurred.
- A staff survey was completed as part of the review and although only a limited number of responses to the survey were received, the results indicated low staff awareness of the arrangements. Proactive and regular communications are required at all levels of management to address this.
- Benchmarking with Core Cities colleagues also indicated comparatively low levels of concerns reported in Bristol. This could indicate low level of confidence or a lack of awareness.
- Insufficient priority may have been given to issues raised and concerns are not always investigated. Management oversight is required to ensure cases are progressed in a timely manner going forward.
- There is no mechanism in place to evaluate the outcome of cases and ensure lessons are learned – quarterly case management meetings have now been agreed.
- There is some tidying up required of code of conducts and the whistleblowing procedures.
- Management have agreed all of the recommendations made in the report. An annual audit of the procedures will ensure the committee are advised of progress of improvements.



Members expressed concern that this procedure was not sufficiently promoted across the council and that outcomes from the investigations are not evaluated. Also, they were concerned to ensure that phone lines for reporting concerns are answered.

Officers confirmed that Trade Unions had been consulted upon the refresh of the process in February 2017 and that staff could raise concerns via the Trade Unions. However, this review had not included consultation with them. Action: Alison Mullis/Jonathan Idle to source feedback on effectiveness of arrangements from Trade Unions via HR.

Resolved – that the report be noted.

11. Results of Peer Review of Internal Audit

The Interim Chief Internal Auditor introduced this report and made the following points:

- A Peer Review of the Internal Audit Service had been undertaken as per the Terms of Reference agreed by the Audit Committee in July 2017.
- The review was undertaken by the Head of Internal Audit of Sheffield City Council and was a comprehensive review of 342 standards of the Public Sector Internal Audit Standards (PSIAS)
- The review incorporated the validation and testing against a self-assessment against the standards undertaken by BCC Internal Audit.
- The review conclude that BCC internal Audit “generally conforms” to the requirements of PSIAS. This was broadly satisfactory with the section complying with 84% of the standards with a further 14% partially conforming.
- BCC’s own work had identified a number of key areas for improvement (listed on Page 108 of the report).
- The key areas for improvement related to:
 - o The role of Internal Audit in Risk Management
 - o Training and Appraisals
 - o More effective documentation of the quality assurance and control of audit output and working paper completion.

In response to Members’ questions, he made the following points:

- The following low level recommendations had been identified – (1) Best Practice – conflict of interest statements (2) A record of positive report formats.
- The majority of actions required to address the recommendations would be addressed by November 2018.
- In relation to Assurance mapping, the Audit Plan for 2018/19 included a far greater emphasis upon the reviewing of assurances in respect of the risks within the Corporate Risk Register and this would be approached in line with the Three Lines of Defence Model.



Additionally, in response to a question relating to the recommendation relating to the Audit Committee and the approval of the Internal Audit budget, the s.151 officer responded that whilst responsibility for the budget remained with Full Council, the Audit Committee would be able to comment on resources to ensure delivery was balanced within the organisation.

Resolved – that the report be noted.

12. Internal Audit Activity Report - 1 April 2017 - 1 March 2018

The Interim Chief Internal Auditor introduced this report which included the following points:

- An update on the delivery of the Audit Plan and resources;
- Annual Governance Statement Assurances have been requested for return by mid-March.
- 27 grants/ certifications with a total value of £30m certified to date;
- Recommendation implementation rate currently at 91% implemented or partially implemented;
- Pro-active fraud work continues to identified a good level of recoverable savings and an increased number of recovered council tenancies, noting that since reporting to Audit Committee in November, there has been an increase in potential recoverable savings from £539k to £887k and notional savings of £1.7m to £2.4m which have been identified by the Counter Fraud / Investigations Team.
- The majority of assurance reviews were either complete, in progress or at early planning stages.
- Summaries of 13 completed audit reports were reported to the Committee and related to completed audits, of which the respective Audit opinions were:
 - o 6 Reasonable Assurance
 - o 6 Limited Assurance:
 - o 1 retrospective review re Duplicate Cheques and Print And Mail Services
- Members queried the process when there was a disagreed recommendation and the Interim Chief Internal Audit explained that in such instances where management felt either the risk was considered to be managed or not require any control improvement that it be reported to the Audit Committee following relevant discussions during the course of the audit process.

The Acting Director, Finance, answered specific questions in relation to recommendations relating to the Loans Fund and the independent checking of the journals process.

- There was specific commentary in respect of the following audits:



- o Complaints Management
- o Contract Waivers
- o Contract Register and Publication Requirements
- o Housing Voids
- o Cash Receipting System Contract
- o Bank Reconciliation
- o Clearing House Automated Payment System (CHAPS)
- o Accounts Payable
- o GDPR

In response to members' questions, officers made the following points:

- Members' concern about 240 missing cheques was noted. It was explained that this was caused by human error. The processes had been reviewed to ensure they were robust enough to prevent it happening again
- There was a follow up report currently being concluded in respect of the audit report on Foster Care Payments and this would be included within a subsequent report to the Committee.

Resolved – that the report be noted.

13 Update on General Data Protection Regulations (GDPR) Readiness

The Monitoring Officer introduced this report and made the following points:

- There was a huge task for an organisation to ensure compliance within the required time period.
- As at present, 92% of returns had been received.
- The training module had been rolled out across the organisation.
- Weekly updates would be provided to ensure 100% compliance.
- A Privacy Impact Assessment would be carried out.
- Subject access requirements needed to be received within 30 days.
- It had been proposed that the process was centralised to ensure effective control.
- The Statutory Data Protection Officer would play a key role in ensuring behaviour changed and was embedded.
- 5 super users would also be trained to support the process.
- It would be significantly tied up by this process and therefore proper alternation of work assist.
- A fair processing template would be developed for councillors.
- Councillor Cheney was regularly briefed. A written update would be provided to Committee members by e-mail to provide a direction of travel in this area.

Action: Shahzia Daya

Resolved – that the report be noted.



14. Date of next meeting

It was noted that the next meeting was scheduled as the Annual Meeting for 2018/19 at 2.00 pm on Thursday 24May 2018.

Meeting ended at 4.50 pm

CHAIR



Bristol City Council

Minutes of the Audit Committee

2 May 2018 at 4.00 pm



Present:-

Councillors: Jos Clark, Olly Mead, Steve Pearce, Jo Sergeant (substitute for Barry Clark), Afzal Shah, Clive Stevens

Independent member: Simon Cookson

Officers in attendance:

Shahzia Daya, Director - Legal & Democratic Services

Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer

Andrea Dell, Head of Democratic Engagement and Statutory Scrutiny Officer

Ian Hird, Democratic Services

Jonathan Idle, Interim Chief Internal Auditor

Alison Mullis, Head of Internal Audit

Chris Holme, Interim Director – Finance

Tony Whitlock, Finance Manager

1. Welcome, apologies and safety information

The Chair welcomed everyone to the meeting and attendees introduced themselves.

Apologies were received from Adebola Adebayo (independent member), Cllr Barry Clark and Cllr Liz Radford.

It was noted that Cllr Jo Sergeant was attending this meeting as a substitute for Cllr Barry Clark.

The Chair drew attention to the safety information as detailed on the agenda.

2. Declarations of interest

None.



3. Public forum

The committee noted a statement received from Cllr Mark Brain relating to agenda item 4 – Proposed constitution changes, with particular reference to the proposal around an independent person chairing the Audit Committee.

At this point in the meeting, the Chair raised the following matters:

a. Date of next meeting:

Following discussion, it was agreed that the next meeting of the committee would be rescheduled from 2.00 pm on 24 May 2018 to 2.00 pm on 31 May 2018.

b. Letter received from three councillors requesting an Audit Committee inquiry around employment issues regarding former Chief Executives of the authority:

The Chair referred to a letter she had received from three councillors requesting that the Audit Committee should set up an inquiry around a number of employment issues regarding former Chief Executives of the authority. This request could not be considered at today's extraordinary meeting of the committee. Officers would be preparing a report (to be considered at the 31 May meeting of the committee) setting out the issues and recommending how the committee responds to the councillors and to the issues raised.

4. Proposed constitution changes

The committee reviewed the following documents setting out details of proposed constitutional change ahead of the 22 May Annual Council meeting:

- Appendix A - an overview of the proposed constitutional changes, together with an update on the current status of each proposal, including a summary of proposed changes to the arrangements for Full Council meetings.
- Appendix B - proposed changes to the Member Code of Conduct.
- Appendix C - proposed changes to the Member/Officer Protocol.
- Appendix D - proposed changes to the Audit Committee terms of reference, including a proposal that the committee should be chaired by an independent person.
- Appendix E - a proposal to establish a Values and Ethics Committee, and the proposed terms of reference for the committee.
- Appendix F - refreshed finance regulations and procurement rules.

The committee's comments on each of the above documents are summarised below:



Changes to the arrangements for Full Council (as summarised in Appendix A):

- a. Executive debate slot: Disappointment was expressed that the Executive debate slot at Full Council meetings was not being progressed. It was felt this would have increased public interest in Full Council meetings and enabled early cross-party engagement in policy development.
- b. Public forum: The current custom and practice around enabling councillors to substitute for / present statements at Full Council on behalf of their constituents should continue and potentially be formalised in the constitution.
- c. Petitions: The proposed increase in the petition threshold (number of signatures required to enable a petition to be debated at Full Council) would lead to a reduction in the number of petitions able to be debated at Full Council, thereby reducing citizen engagement in the democratic process.
- d. Motions: Greater flexibility should be considered around the time allocation for motions and the length of speeches to enable, where possible, both the “golden” and “silver” motions to be considered. This could include reducing the time allocation for the “golden” motion depending on the topic involved and the level of public interest.

Appendix B – proposed changes to the Member Code of Conduct:

- a. The proposed inclusion of councillors’ non-pecuniary interests as a requirement within the Code was welcomed and felt to be positive.
- b. In relation to section 1 of the Code (General conduct), it was suggested that additional narrative should be included to further explain the principle of “selflessness” as it applies to holders of public office.
- c. The revised wording of principle 4.1 (Behaving with integrity) was particularly welcomed, together with the removal of the clause about “not bringing the office of elected member or the authority into disrepute.” Members felt it was very important that they retained the freedom to be able to raise “their heads above the parapet” in drawing attention to issues of genuine concern.
- d. Discussion took place around councillor attendance at meetings. Whilst it was obviously important that councillors attended meetings of those committees they were appointed to (which was recorded and was a matter of public record), the record of attendance at meetings in itself did not necessarily reflect the degree to which councillors had actively participated at those meetings, or reflect how active and effective individual councillors were in more general terms. It was suggested that other aspects of councillor activity could be recorded (e.g. to show time spent on ward casework, or time spent participating in community meetings/activity, or preparing written submissions connected to their councillor role). It was noted that Modern.Gov may have the capability/functionality to record aspects of councillor activity other than meeting attendance.

Appendix C – proposed changes to the Member/Officer Protocol:

- a. In relation to section 6.3 (members’ rights to inspect a document) and the reference to APR 21.1 – Material relating to decisions, concern was expressed that the exemption clause for political advisors’ advice could be used to make entire documents exempt. Officers advised that this clause was thought to be statutory but this would be confirmed. If the clause was not statutory, it would be removed. If the clause was statutory, further clarification would be included to ensure that a political advisor’s advice is always in a separate exempt appendix.



- b. It was noted that the Overview and Scrutiny Management Board had recently reviewed the process and governance / protocol around the inclusion of exempt material in Cabinet / committee reports.

Appendix D – proposed changes to the Audit Committee terms of reference, including a proposal that the committee should be chaired by an independent person:

- a. The committee felt very strongly that the Chair position should be held by a councillor. The democratic accountability and the specific role councillors hold was a strength that an independent member would not have. The same applied in terms of councillors' understanding of the organisation and the views of their constituents. Concern was also expressed that the proposal could perhaps set a precedent for other committee chair positions.
- b. It was noted that CIPFA guidance stressed the need for an independently minded Chair of the Audit Committee. Whilst it was entirely appropriate for the Audit Committee to appoint independent members as per the guidance, there was no comment within the guidance to the effect the committee should be chaired by an independent member. In further discussion, members emphasised that a strong, independently minded councillor Chair was felt to be the best option.
- c. The production of a short job description for the Chair role should be considered.
- d. In terms of the membership of the committee, the "churn" in membership of the committee acted against the interests of maintaining a consistent approach; moving forwards, it would be important to limit changes to the membership and look to retain the expertise of effective, independently minded councillors.
- e. One member proposed that the appointment process for the Chair of Audit Committee could be reconsidered and that this could be a function of Full Council.
- f. It was felt that the Chair of the Audit Committee should not be a member of the Elected Mayor's political party or of the majority/largest political group.

Appendix E – proposed Values & Ethics Committee terms of reference:

- a. Concern was expressed about the extra resource required to establish a new committee and whether this could be justified in terms of the number of times that the committee was likely to be required to meet. The committee stressed, however, that a strong focus on values and ethics was important for the organisation.
- b. Clauses 6 and 8 of the proposed terms of reference should be removed as these were duplicated in the new proposed Audit Committee terms of reference.
- c. It was noted that the committee's capacity was limited and that under the new proposed terms of reference, it was likely that Audit Committee agendas would continue to be lengthy, and that additional committee meetings were likely to be required.
- d. Members proposed that rather than Full Council establishing a Values and Ethics Committee, the Audit Committee could establish a Values and Ethics Sub-Committee as a permanent sub-committee of the Audit Committee, chaired by an independent member and called to meet as needed to investigate specific issues. Membership was proposed to be comprised by one councillor from each political group, plus the independent Chair. In the case of member conduct issues, it would be preferable to not have a member of the same political group sitting on the sub-committee for that hearing.



- e. It was suggested that, if established, as part of its role, the sub-committee might be tasked with overseeing compliance with data protection requirements under GDPR.

Appendix F – Financial regulations and Procurement rules:

It was noted that these regulations / rules were being refreshed rather than being the subject of any substantial changes, and that compliance would continue to be examined by the Audit Committee.

RESOLVED –

That a summary of the comments of the committee as detailed above be circulated to the Mayor and party group leaders in order that the committee's views can be taken into account in the current review of the Council's constitution, noting that the proposed constitutional changes will be considered and determined at the annual Full Council meeting on 22 May 2018. It was noted that the comments of the committee may be included as an appendix in the 22 May annual Full Council agenda papers.

Meeting ended at 5.40 pm

CHAIR _____



Bristol City Council

Minutes of the Audit Committee

31 May 2018 at 2.00 pm



Members present:-

Councillors: Mark Brain, Olly Mead, Liz Radford, Afzal Shah, Clive Stevens, and Anthony Negus

Independent members: Adebola Adebayo and Simon Cookson

Officers in attendance:

Denise Murray, Acting Executive Director - Resources

Chris Holme, Interim Director – Finance

Tony Whitlock – Finance Manager

Jonathan Idle, Interim Chief Internal Auditor

Alison Mullis, Head of Internal Audit

Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer

Lucy Fleming, Democratic and Scrutiny Manager

Also in attendance:

Donald Place, BDO (External Auditor)

1. Apologies and safety information

Attendees introduced themselves.

Apologies were received from Cllr Steve Pearce.

The safety information as detailed on the agenda was noted.

2. Membership of committee (to note)

RESOLVED –

That the committee's membership for 2018-19 be noted.



3. Election of Chair of the committee 2018-19

RESOLVED –

That Cllr Mead be elected as Chair of the committee for 2018-19.

4. Election of Vice-Chair of the committee 2018-19

RESOLVED –

That Cllr Stevens be elected as Vice-Chair of the committee for 2018-19.

At this point in the meeting, the Chair, on behalf of the committee, thanked Cllr Jos Clark for her work and service as Chair of the Audit Committee over the course of the previous municipal year 2017-18.

5. Declarations of interest

None.

6. Terms of reference of the committee

RESOLVED –

That the terms of reference of the committee, as approved at the Annual Council meeting on 22 May 2018 be noted.

In discussion, it was noted that due to an administrative error, the revised terms of reference (as discussed by the committee at their meetings held on 25 January and 2 May 2018) had not been considered at the Annual Council meeting; Full Council approval would now be sought on 17 July 2018.

7. Establishment of Values & Ethics Sub-Committee

The committee noted that subject to the approval of revised terms of reference for the Audit Committee by Full Council on 17 July, the committee would be asked to establish a Values and Ethics sub-committee. Subject to Full Council approval, a detailed report on this would be submitted to the committee.

8. Dates and times of committee meetings 2018-19

RESOLVED –

That dates and times of meetings of the committee for 2018-19 be approved as follows:

- **1.00 pm, Thursday 26 July 2018**
- **2.00 pm, Thursday 20 September 2018**
- **2.00 pm, Thursday 22 November 2018**
- **2.00 pm, Thursday 24 January 2019**



- 2.00 pm, Thursday 28 March 2019

9. Minutes of previous meetings (to be confirmed as a correct record)

Minutes of Audit Committee – 29 March 2018 & Extraordinary Audit Committee – 2 May 2018

In relation to the 29 March minute relating to “Whistleblowing arrangements – annual review”, the Chair stressed the importance of ensuring full anonymity to “whistle blowers” as necessary.

It was noted that the minutes of these meetings would be re-submitted to the July meeting of the committee for formal approval.

10. Action sheet from previous meeting

The action sheet (tracking actions agreed at the 29 March meeting of the committee) was noted.

11. Public forum

Questions:

The committee received 2 questions as follows (the questions and written replies are set out below):

1. Questions from Cllr Paula O’Rourke re: agenda item 17 – draft Statement of Accounts 2017-18

On the draft accounts for 17/18, I see on page 56 that Anna Klonowski received £160,116 salary, fees and allowances for the months April 2017 to Sept 2017 plus £36,000 in pension payments.

Q1. Could you confirm please how much of this was payment of her regular salary from April 1st 2017 up until she left on 30th Sept 2017 please? I can therefore assume the remainder was her payment on leaving?

Q2. If my assumption in Q1 is wrong, what, please, was her final payment on leaving and include the pension too?

REPLY:

“The contractual payments made to Anna Klonowski in relation to salary, fees, allowances and pension contribution for the period of her employment totalled £196,118. As stated in the draft Statement of Accounts no compensation payment was included in leaving the employment of the Council.”

In a supplementary question, Cllr O’Rourke noted that the above reply stated that no compensation payment was included when Anna Klonowski left the Council’s employment; yet published figures



indicated she had received an extra 6 months' pay, for work not done, and this point had not been explained. In response, the Acting Executive Director – Resources advised that the figure quoted in the written reply was the total sum paid under the contractual arrangements, taking into account, as stated, salary, fees, allowances and pension contribution. The contractual arrangements were appropriately the responsibility of the Human Resources Committee.

2. Question from Alderman Brian Price re: agenda item 14 – Annual Governance Statement

Do you feel you have done enough to see that the systems and processes have been in place for the citizens of Bristol to scrutinise the workings of the Council's directorates including call-ins and reviews?

REPLY:

"The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate or identify all risk of failure in systems and processes and therefore at best can only provide reasonable and not absolute assurance of effectiveness. In addition the Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council's statutory and regulatory requirements are complied with. The approach adopted for the AGS review is set out in detail in this report; it included all directorates in terms of both self-assessments and areas of assurance reviews / audit during the course of the year and the findings and agreed actions are reflected in the associated reports.

The procedure for Call-In is outlined within the Council's Constitution (OSR 17) and during 2017/18 no key decisions were called in. The Constitution has been subject to a full review and following member engagement the changes proposed were considered at the full Council Meeting on 22 May 2018."

As a supplementary point, Alderman Price suggested that, in his view, there was a role for the Audit Committee in assessing the risk of scrutiny (e.g. of Council departments) not being fully effective or resourced.

Statements:

4 statements were received, all of which related to Agenda item 18 – Councillor referral to Audit Committee, as follows:

- Statement 1 from Cllr Gary Hopkins
- Statement 2 from Cllr Paula O'Rourke
- Statement 3 from Graham Donald
- Statement 4 from Cllr Richard Eddy

12. BDO's (External Auditor) progress report to the Audit Committee

The committee considered BDO's (external auditor) progress report for 2017-18.

In relation to the Use of Resources section, it was noted that the findings of the External Auditor on the financial statements were due to be reported to the Audit Committee at their July meeting.



RESOLVED –

That the progress report be noted.

13. Internal Audit annual report 2017-18

The committee considered the annual report of the Interim Chief Internal Auditor. The committee was asked to receive and note the report as a source of assurance regarding the risk, control and governance across the Council.

Main points raised/clarified/noted in discussion:

1. Significant issues in the report were:
 - Section 2 - The Head of Internal Audit's opinion on the control, risk and governance environment.
 - Section 3 & Appendix A – The work completed by the Internal Audit team from which the above opinion had been derived, and identified areas of risk exposure.
 - Section 4 – The Internal Audit team's performance and compliance with their professional standards.
2. It was noted that limited assurance only could be given that the framework of control was adequate. Overall, 63% of reviews undertaken concluded that reasonable assurance could be provided that controls were in place and operating effectively. The trend in relation to this suggested that the position was not improving compared to previous years.
3. In terms of corporate governance, it was recognised that the committee had considered and recommended an updated Code of Corporate Governance which had now been approved by the Full Council.
4. It was noted that the Audit Committee will continue to have a key role in providing independent assurance of the risk management framework and the associated control environment.
5. In relation to GDPR project governance, significant issues had been identified in September 2017 requiring a rapid escalation of the project management and governance of the Council's GDPR preparations. These issues had been addressed effectively and the Audit Committee had kept oversight of the progress achieved.
6. In relation to the implementation of recommendations from internal audit reviews, Internal Audit had worked throughout 2017-18 with departmental management teams to highlight issues and escalate any areas of concern. This had seen the level of recommendations implemented rise from 31% in 2016-17 to 57% in 2017-18.
In discussion, it was suggested that the committee may wish to identify particular areas of concern and then pro-actively hold to account those responsible for implementing recommendations by



questioning them in detail at Audit Committee meetings. Such areas of concern may need to be prioritised.

7. The importance of member scrutiny of risk was highlighted. In relation to directorate risk registers, it was noted that following the most recent review of the scrutiny function, the newly established scrutiny commissions (i.e. as established at the Annual Council meeting) would review these as part of their 2018-19 work programmes. It was noted also that a new risk management policy had been approved by the Cabinet in January. Work was now taking place to provide direction on ensuring that risk management was more effective going forwards.
8. In discussion, members noted the importance of ensuring that the Internal Audit team was staffed fully and appropriately, noting that some temporary staff were in place currently. It was noted that a review was being undertaken to ensure that the team was properly resourced.
9. In relation to procurement and commissioning, several reviews in this area had concluded that only limited assurance could be assigned, for example in relation to contract management, where standards around this had been found to be inconsistent across the Council. Also, the number of contract waivers from procurement regulations continued to be high and the waivers process itself had not been consistently applied. In discussion, officers confirmed that contract management was an area where significant improvement was required. It was agreed that there should be a particular focus on improving the situation with regard to contract waivers and that progress should be reported to the Audit Committee in September.

Noting and taking the above points into account, it was

RESOLVED –

That the Internal Audit annual report 2017-18 be received and noted as a source of assurance regarding the risk, control and governance environment across the Council, and the significant issues raised in the report be noted (noting that these will inform the committee’s 2018-19 work programme).

14. Draft Annual Governance Statement 2017-18

The committee considered a report of the Interim Chief Internal Auditor setting out the Annual Governance Statement (AGS), together with an action plan as a fair reflection of the internal control and governance environment of the Council during 2017-18.

Main points raised/clarified/noted in discussion:

1. A robust and detailed process had been undertaken corporately across the Council in relation to the AGS, as part of the ongoing “improvement journey” that the Council was following in light of the 2016-17 AGS. Senior managers across the Council had been required to complete assurance statements for their respective areas, acknowledging their responsibility for internal control and



risk management. The Council's Statutory and Policy Board had also been kept informed and consulted on the AGS content.

2. The action plan set out the steps to address the particular improvements identified. In addition, to further strengthen governance and local accountability, the Council would be taking part in a Corporate Peer Challenge in September 2018 organised by the Local Government Association.
3. It was suggested that member training was an ongoing area of importance and that it would be important to tailor training to best suit and match members' development needs.
4. Further work would be taking place to finalise the AGS, which would ultimately be signed off by the Mayor, Head of Paid Service, Section 151 Officer and Monitoring Officer.

Noting and taking the above points into account, it was

RESOLVED –

That the draft Annual Governance Statement and action plan 2017-18 be noted.

15. Annual counter fraud report 2017-18

The committee considered a report of the Interim Chief Internal Auditor setting out the Annual Counter Fraud report 2017-18.

Main points raised/clarified/noted in discussion:

1. Through its work over the last year, the Counter Fraud team had continued to generate significant, recoverable, ongoing and notional savings for the Council.
2. The team's role covered a wide range of counter fraud activity and investigative work within its current structure. Developments within the service were ongoing and continuous.
3. In relation to costs, it was noted that the cost of the entire Internal Audit and Counter Fraud team for 2018-19 was £748k; savings to date from counter fraud work in 2017-18 were £1.052m recoverable, £3.303m notional with an ongoing weekly cost saving of £11,231.
4. Members expressed their general appreciation of the Counter Fraud team's work, noting that the positive outcome in terms of savings achieved reflected a very proactive programme of activity across a range of areas. The savings achieved in relation to Council Tax single person discounts were particularly welcomed, noting that this review had resulted in the removal of 1,559 single person discounts valued at £440k.

Noting and taking the above points into account, it was



RESOLVED –

That the Annual Counter Fraud report 2017-18 be noted.

16. Audit Committee annual report to Full Council - draft report

The committee considered the draft of its annual report to Full Council covering 2017-18.

Main points raised/clarified/noted in discussion:

1. The report would be presented to the Full Council on 17 July 2018.
2. It was suggested (re: Section 4 – The work and activity of the Audit Committee in 2017-18) that work undertaken off-line by committee members in analysing business plans should be referenced.
3. It was also suggested that the report should reference the ongoing critical need of ensuring that the Internal Audit team is properly resourced.

Subject to the above, it was

RESOLVED –

That the Audit Committee annual report for 2017-18 be submitted to the Full Council on 17 July 2018.

17. Draft Statement of Accounts 2017-18

The committee considered a report of the Interim Director of Finance setting out the draft, unaudited Statement of Accounts for 2017-18.

Main points raised/clarified/noted in discussion:

1. It was noted that the Statement of Accounts set out the Council's financial position as at 31 March 2018 along with a summary of its income and expenditure for the year to 31 March 2018. The financial statements were the main method of demonstrating financial accountability and stewardship.
2. The draft accounts would now be published and made available for public inspection.
3. For comparative purposes, it would be useful for the details of the Mayor's salary to be shown alongside details of councillor allowances.
4. The page numbers shown in the report should be cross-checked against the page number references shown on the contents page.



5. It was noted that members would email any further queries direct to the Interim Director – Finance.

RESOLVED –

That the draft, unaudited Statement of Accounts 2017-18 be noted.

18. Councillor referral to the Audit Committee

(Note: this item of business was considered at the meeting immediately after the public forum - agenda item 11).

The committee considered a report of the Director – Legal & Democratic Services in light of the referral received from 3 councillors.

Main points raised/clarified/noted in discussion:

1. The Deputy Monitoring Officer advised that the committee's terms of reference did not permit the committee to commission enquiries into the recruitment of individual members of staff or into their performance or into particular employment termination agreements.
2. The committee's terms of reference did include seeking assurance in relation to governance issues. The External Auditor, BDO will report progress on the review undertaken as part of their Audit completion report (ISA 260) for the year ended 31 March 2018 - that would enable any relevant governance issues to be considered.
3. Following discussion, it was noted that once the progress report from the External Auditor had been received, officers would produce a report on options available to the committee should they feel that further action is required.

RESOLVED –

That the report and the above information be noted.

19 DBS checks for members of Council - draft policy and guidance note

The committee considered a report of the Director – Legal & Democratic Services on a draft policy and guidance note regarding DBS checks for members of Council.

Main points raised/clarified/noted in discussion:

1. It was noted that in light of feedback from the Corporate Leadership Board, further information/clarity would be included about how reminders re: checks would be sent to members.
2. The implementation of the policy would be administered by member services officers.



3. It was noted that subject to compliance with the statutory rules on being eligible to be elected to office and to remain in that office, the Council could not prevent the election or continuation in office of any elected member, irrespective of what might be disclosed by a criminal records check. The Council would though take appropriate steps in accordance with its safeguarding responsibilities and proportionate to the conviction, caution or other issue disclosed.
4. The Council would not accept DBS disclosure certificates from any other organisations for any elected member.
5. An updated version of the policy would be circulated to members.

Noting and taking into account the above, it was

RESOLVED –

That the draft policy and guidance note be noted, noting that an updated draft will be circulated to members.

Meeting ended at 5.16 pm

CHAIR _____



Audit Committee Action Sheet – actions from meeting held on 31 May 2018

Action number	Item/report	Action and deadline	Responsible officer	Action taken / progress
1	Establishment of Values & Ethics Sub-Committee	Detailed report to be submitted to the committee on 17 July	Nancy Rollason	On course subject to Full Council approval of Audit Committee terms of reference
2	Councillor referral to the Audit Committee	BDO (external auditor) will report on progress in completing their review in their Audit completion report (ISA 260).	BDO	Report to be submitted to July committee.
		Officers to produce a report on options available to the committee should they feel that further action is required.	Nancy Rollason	To be confirmed by the committee.
3	Internal Audit annual report 2017-18 – Procurement and Commissioning	Contract waivers from procurement regulations – progress report on action being taken to be prepared for the Audit Committee in September.	Denise Murray / Chris Holme	On course.
4	Audit Committee annual report 2017-18	Updated report to be submitted to Full Council on 17 July.	Jonathan Idle	On course
5	DBS checks for members of Council – draft policy and guidance note	An updated draft of the policy and guidance note to be circulated to members.	Nancy Rollason	Guidance being finalised to go to Head of Paid Services for final approval

Action number	Item/report	Action and deadline	Responsible officer	Action taken / progress

AUDIT COMMITTEE
DRAFT WORK PROGRAMME 2018/19

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report	Comments:
26th July 2018 1.00pm	Proposed Training: Finance External Audit: Internal Audit: Risk Management: Corporate:	Assurance arrangements for Major Projects and Programmes Final Statement of Accounts 2017/18 ISA 260 Report Internal Audit Activity Report Final Annual Governance Statement 2017/18 Corporate Risk Register and Risk Management Report Companies Audit and Assurance Arrangements GDPR Update Establishment of Values and Ethics Sub-Committee Information Items: None	Training Routine Routine Routine Routine Routine Ad Hoc Ad Hoc	 3.1 1.8/3.2 1.5/1.7/2.1 2.5/4.4 4.1/4.3	Head of Internal Audit Director - Finance External Audit Lead Chief Internal Auditor Chief Internal Auditor Risk Manager Director - Finance Senior Information Risk Owner (SIRO) Director: Legal & Democratic Services	
20th September 2018 2.00pm	Proposed Training: External Audit: Corporate: Risk Management: Internal Audit: Finance: Legal:	Information Technology and Information Security Risks Annual Audit Letter Governance Tracking Report Review of a Specific Corporate Risk Internal Audit Activity Report Peer Review Implementation Update Annual Review of the effectiveness of the system of Internal Audit Treasury Management Annual Report 2017/18 Member Standards items: Information Items: <i>Ombudsman Letter</i>	Training Routine Routine Routine Routine Routine Routine	 1.8/3.2 2.5/4.4 4.1/4.3 1.5/1.7/2.1 1.6 1.13 3.3 1.12	Internal Audit External Auditor Lead Executive Director Resources / Director Finance Risk Manager / Risk Owner Chief Internal Auditor Chief Internal Auditor Director - Finance Director - Finance	
22nd November 2018 2.00pm	Planned Training: External Audit: Risk Management: Internal Audit: Finance:	Partnership Governance Arrangements Update Report Risk Management Annual Report and Policy Update Review of a Specific Corporate Risk Internal Audit Half-Year Activity Report Internal Audit - Half-Year Investigation Update Report and Anti-Fraud and Anti-Corruption Policy Internal Audit Quality Assurance and Improvement Plan Internal Audit Charter & Strategy Refresh Treasury Management Report Information Items: None	Training Routine Routine Routine Routine Routine Routine	 1.8/1.10 4.1 4.1/4.3 1.5/1.7/2.1 2.4./2.10 1.6 1.1 3.3	Internal Audit External Audit Lead Risk Manager Risk Manager / Risk Owner Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Director - Finance	
24th January 2019 2.00pm	Proposed Training: External Audit:	Performance Management - Assurance Arrangements Grants Audit Report External Audit Update Report	Training Routine Routine	 1.8 1.8/1.9	External Audit Lead External Audit Lead	

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report	Comments:
	Internal Audit: Risk Management: Corporate: Legal:	Annual Whistleblowing Review Corporate Risk Register and Risk Management Report Companies Audit and Assurance Arrangements Governance Tracking Report Inspection Agency reports Member Standards items: Value and Ethics Sub-Committee Report/Minutes including Budget Dispensations Information Items: None	Routine Routine Ad Hoc Routine Routine Routine	2.4 4.1/4.3 2.5/4.4 1.12	Chief Internal Auditor Risk Manager Director - Finance Executive Director Resources / Director Finance Risk Manager Director: Legal& Democratic Services	To cover those Inspection reports which provide assurance in relation to risks on the Corporate Risk Register
28th March 2019 2.00pm	Proposed Training: Risk Management: External Audit: Internal Audit: Legal:	Audit Committee Effectiveness Workshop Review of a Specific Corporate Risk Audit Approach and Planning Letter Fee Letter Draft Annual Plan 2019/20 Peer Review Implementation Update Internal Audit Activity Report Review of Committee Terms of Reference Member Standards items: Information Items: None	Training Routine Routine Routine Routine Routine Routine	 4.1/4.3 1.8/1.10 1.8/1.10 1.2 1.6 1.5/1.7/2.1	Chief Internal Audit/Head of Internal Audit Risk Manager / Risk Owner External Audit Lead External Audit Lead Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Director: Legal& Democratic Services	To equip the Committee with an understanding of the Accounts and the areas where it requires assurance
May 2019 (AGM) 2.00pm	Proposed Training: External Audit: Internal Audit: Finance: Legal:	Statement of Accounts and Annual Governance Statement Update Report Draft Annual Governance Statement 2018/19 Annual Fraud Report Audit Committee Annual Report to Full Council (Draft) Draft Statement of Accounts 2018/19 Member Standards items: Information Items: None	Training Routine Routine Routine Routine Routine	 1.8/1.9 2.5/4.4 2.4/2.10 5.1 3.1	Finance/Internal Audit to facilitate External Audit Lead Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Executive Director Resources / Director Finance	

Audit Committee

26 July 2018



Report of: Director of Finance
Title: Statement of Accounts Year Ended 31 March 2018
Ward: City Wide
Officer Presenting Report: Denise Murray
Contact Telephone Number: 0117 3576255

Recommendation

The Audit Committee approve the Statement of Accounts for the year ended 31 March 2018

Summary

The Statement of Accounts sets out the Council's financial position as at the 31 March 2018 along with a summary of its income and expenditure for the year to 31 March 2018. The financial statements are the main method of demonstrating financial accountability and stewardship.

The audit of the accounts is not yet complete, although at this stage we are not anticipating any significant changes to the draft accounts presented to Audit Committee on 31 May 2018.



Policy

None affected by this report.

Consultation

- 1. Internal**
Executive Directors, Service Directors and the finance team
- 2. External**
The draft accounts were available for public inspection.

Background and Context

1. The Council's Statement of Accounts has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) which is based on International Reporting Standards (IFRS). This is necessary to ensure that accounts of all Government funded bodies provide comparable and consistent information.
2. Consequently the accounts are a complex and technical document. The Narrative Report of the Statement aims to provide a general guide to the items of interest and highlight some of the more significant matters that have determined the position for the financial year ending 31 March 2018.
3. Attached at Appendix 2 is the Letter of Representation. This is provided by the Council in connection with the audit of the financial statements for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Other Options Considered

Not applicable

Risk Assessment

The Statutory Accounts need to be formally published with the statutory timescale. This report, together with the Annual Governance Statement, forms part of the assurance process.

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

None arising from this report

Financial

None arising from this report.

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix 1 Statement of Accounts 2017/18 (to follow)

Appendix 2 Letter of Representation (to follow)

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Final Accounts working papers held in Corporate Finance

Audit Committee

26 July 2018



Report of: BDO LLP
Title: BDO 2017/18 Audit Report
Ward: City Wide
Officer Presenting Report: BDO LLP
Contact Telephone Number:

Recommendation

The Audit Committee note, and comment as appropriate, on BDO's 2017/18 Audit Report and the action plan agreed by management.

Summary

Attached to this report is BDO's Audit Report to those charged with governance, which highlights the key issues arising from the audit of the Council's financial statements for the year ended 31 March 2018. This report enables BDO to discharge their responsibilities in accordance with International Standards of Auditing (ISA) 260. It also reports their conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. BDO are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.

Consultation

1. Internal

BDO has discussed and agreed the findings of the audit with the Chief Executive, the Director of Finance, and the Service Director and with Senior Finance Officers.

2. External

None

Background and Context

1. BDO is required to form an opinion on the Council's annual financial statements and to provide a value for money conclusion. This report sets out the outcomes of the audit of the Council's financial statements and the issues arising.
2. David Eagles, the appointed auditor responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable

Risk Assessment

None necessary for this report

Public Sector Equality Duties

None necessary for this report

Legal and Resource Implications

Legal

None arising from this report

Financial

None arising from this report.

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix 1: BDO's Audit Report 2017-18 – **TO FOLLOW**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None



Audit Committee

26th July 2018

Report of: Interim Chief Internal Auditor/ Head of Internal Audit

Title: Internal Audit Activity Report for Period 1st April 2018 to 30th June 2018

Ward: N/A

Officer Presenting Report: Jonathan Idle – Interim Chief Internal Auditor

Recommendation

The Audit Committee considers the accumulative work of the Internal Audit Team (IA), during the period of 1st April to 30th June 2018, and the results thereof.

Summary

This report provides details of the work carried out by Internal Audit during the first quarter of 2018/19 and the results of that work. This is the first planned update provided by Internal Audit during 2018/19.

The significant issues in the report are:

- Key messages from the work completed to date are provided in section 2 of the Activity Report
- Section 5 of the Activity report provides details of all planned and unplanned work completed by the section in quarter one.
- Appendix A to the Activity Report provides summary details, including key findings and recommendations, for a selection of reports to give the Committee the opportunity to explore these areas further, should it wish to do so.



Policy

1. Audit Committee Terms of Reference.

Consultation

2. **Internal** - None
3. **External** - None

Context

4. This is the first 'in year' Internal Audit (IA) Activity reports to the Audit Committee. The Activity reports are designed to provide the Committee with a summary view of the work completed by the Service throughout the year to date and the results of that work. The Activity reports are provided to:
 - Provide an overview of the work of Internal Audit to date.
 - Present the assurance work completed and in progress by the Internal Audit team during the period, together with the conclusions drawn from that work.
 - Update the Committee on the Internal Audit recommendations implementation rate.
 - Spotlight audit review outcomes, both positive and negative, to management and the Audit Committee for their consideration and action, where appropriate.
 - Provide an overview of the work of the Internal Audit Investigations Team in advance of a fuller report to Committee in November 2018

The Activity Report covering the period 1st April 2018 to 30th June 2018 can be found at Appendix (A).

Proposal

5. The Audit Committee note the report.

Other Options Considered

6. N/A

Risk Assessment

7. The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 8b) No equality impact assessment is required for this report. The matters concern internal control, governance and risk management arrangements only.

Legal and Resource Implications

Legal – Not sought

Financial – None arising from this report.

Financial advice provided by N/A

Land/Property – **Not applicable**

<Land/property advice provided by N/A

Human Resources – **Not applicable**

HR advice provided by N/A

Appendices:

Appendix A – Internal Audit Activity Report – Period 1st April 2018 to 30th June 2018

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Various Audit Files



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

FOR THE PERIOD OF

1st April 2018 to 30th June 2018



1. Introduction

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Audit Committee and Management with the status of the work carried out by the Internal Audit (IA) team for the period of 1st April 2018 to 30th June 2018.
- 1.4 Additionally, the report provides an update on the Assurance Audit plan and any changes thereof, as well as updates in the following areas:
- Summaries of completed audit reviews
 - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
 - Grant certification
 - Recommendation Implementation status
 - The work of the Investigations Team.
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1st April to 30th June 2018, is provided at Section 5 of this report.

2. Key Messages

- Planned work is below target for Q1 as resources have been used predominantly to finalise assignments from the 2017/18 plan (details are included in this report) and certify grant claims. Some progress has, however, been made on assignments in 2018/19 plans.
- Annual Governance Statement has been drafted, consulted and finalised for consideration and approval at the July 2018 Audit Committee in line with statutory requirements.
- Pro-active fraud work continues to identify a good level of recoverable savings and a number of recovered council tenancies;
- 5 grants/ certifications with a total value of £1,062K have been certified to date;
- Recommendation implementation rate currently at 84% implemented or partially implemented.

A summary of matters arising for 18 of the audit assignments has been provided at Appendix A. These include audits finalised in 2017/18.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The status of the planned work, for the period 1st April to the 30th June 2018, is provided in Section 5 below. In summary, the majority of work in quarter 1 has focussed on finalising work that was in progress at the end of 2017/18 and certification of grants as required. A number of reviews from the 2018/19 plan have also been completed or are in progress. Key messages from audits finalised in the period are provided at Appendix A.

3.2 Internal Audit Resources:

The Internal Audit Service continues to carry a number of vacancies as the service review progresses. Temporary staffing resource has been in place for the first quarter but the level of temporary support has been reduced in quarter 2, in line with the Audit Plan.

HR Support is in place for the service review and it is anticipated that consultation processes will take place with recruitment to vacant posts scheduled for August/September.

3.3 Grant Certification Work.

To date, the team has audited and certified 5 grant claims to the value of approximately £1,062K. Work is progressing on a further 5 certifications. Details of all certifications can be seen in section 5.

3.4 Annual Governance Statement

Work is completed on the Annual Governance Statement for 2017/18 which is presented to the July 2018 Audit Committee meeting.

3.5 Counter Fraud Update:

The Committee will receive full reports on counter fraud work undertaken by the team in November 2018 (half year) and May 2019 (Annual). To update, however, the following represents the significant outcomes of fraud work for the year so far:

- 6 housing properties have been recovered as part of the continued tenancy fraud initiative.
- 1 housing application has been cancelled

Fraud Area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£10,948	£558,000	£526
Benefits	£140,383		£232
Council Tax Reduction	£10,804		£670
Admin Penalties (Adpens)	£2,357		
TOTAL	£164,492	£558,000	£1,428

Figures used for notional savings are: Council property recovered = £93000 (figure recommended by Cabinet Office)
 NB: The above does not reflect the extent of recovery of any savings.

3.6 Recommendation Implementation

A number of follow up reviews have been completed during the period and an analysis of the implementation of recommendations, is summarised in Table 1 below. For the 7 concluded follow up audits in this period, there was 84% fully or partially implemented for the recommendations still required (ie not superseded).

For each of these Follow Up reviews, the objective was to test whether the recommendations identified in the original audit report had been implemented. The Internal Audit can supply further details to members on any of these reports at the Committee if required.

Table1: Summary of Implementation of Internal Audit Recommendations:

Follow-up Audit	Total Recs	Implemented	Partially Implemented	Superseded	Not Implemented
HR Processes	4	4 (100%)	0	0	0
Accounts Receivable	14	4(29%)	9 (64%)	0	1 (7%)
Budgetary Control -People	8	5 (63%)	2 (25%)	1 (12%)	0
Cash In Transit	6	3 (50%)	3 (50%)	0	0
Property Assets: Sale of Assets (3 Audits)	13	8 (62%)	5 (38%)	0	0
Foster Care Payments	3	0	2 (67%)	0	1 (33%)
Mobile Device Security	16	2(13%)	1(6%)	6 (38%)	7 (43%)
Total	64	26 (41%)	22 (34%)	7 (11%)	9 (14%)

The team are currently working to develop a recommendations tracker that identifies both high and medium priority recommendations that have been outstanding for a significant amount of time. Future activity reports will draw attention to such recommendations to enable targeted work to progress resolution of these matters.

4. Under the Spotlight!



With each activity report, Internal Audit turns the spotlight on the audit reviews not just where the residual level of risk was considered to be 'Red or Amber', but also where the governance and controls in the area reviewed were considered to be good, providing the Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the

Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at Appendix A, for the Committee's information and discussion.

A Corporate / ACE: Contract and Commissioning

1. Contract Management *
2. Adult Care Provider Failure *
3. Adult Care Commissioning
4. Changes to Payments Terms
5. Voluntary Sector Commissioning

B Corporate / Resources/ Communities: ICT

1. Finance System – Resilience and Security*
2. Operations Centre - On Premise Security and Environmental Controls
3. ICT Future State Assessment
4. Digital Delivery
5. Third Party Assurance

C Corporate /Growth and Regeneration

1. Major Projects Delivery*

D Corporate

1. Partnership Governance*

E ACE

1. Schools Financial Governance
2. SS Peter and Paul Catholic Primary School

F Communities

1. Market Operations*

G Growth and Regeneration

1. Investment Property Portfolio*

H Resources

1. Payroll and Right to Work
2. Web Page Control*

Note: *Audits completed at end of 2017/18 but details not yet provided to Audit Committee.

Additionally there are further details included in the exempt appendix.

APPENDIX A - SUMMARIES OF COMPLETED AUDITS

A. CORPORATE / ADULTS, CHILDREN AND EDUCATION

A1 Contract Management

The objective of the audit was to review the adequacy and effectiveness of the Council's Contract Management within the Council. Specifically, the audit reviewed:

- Contract management systems and framework.
- Governance and guidance to ensure that poor contract management arrangements are quickly identified (as per Annual Governance Statement 16/17 Tracker actions).
- Recording and assignment of contract manager for a sample of current contracts.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **area of compliance / good practice** identified during the review is summarised as follows:

- A Contract Managers Forum has been established by the IT Supplier Relationship Manager to provide guidance to contract managers.

The audit also identified the following **areas for improvement**, for which 7 recommendations were made, which included:

- Standards were inconsistent with examples of both good practice and inadequate contract management.
- There was no corporate framework for the managing of contracts. The review identified that individual contracts have their own frameworks with varying levels of resources. The recommendation was for generic baseline corporate contract management principles to be established.
- There was generally no business continuity or disaster recovery provision for contracted services and no decommissioning protocols when contracts are not renewed or terminated due to unsatisfactory performance.
- There was no formal training or establishment of baseline competencies for contract managers.
- There was little evidence of contract risks being formally mapped in a standard and structured manner and also the Corporate Risk Register and Directorate Risk Registers do not include risks associated with contract management.
- There was no specialist contract management advisory function to assist contract managers.
- Although checks on providers, for example for financial stability and insurance arrangements, are made at the outset, this was generally not reviewed as part of regular contract monitoring and management.

All recommendations were agreed for implementation.

A2 Adult Care Provider Failure

The Care Act 2014 places a temporary duty on local authorities to meet and support the needs of vulnerable adults in the event of a registered care provider being unable to carry out that activity due to business failure. The objective of the audit was to review the adequacy and effectiveness of the Council's risk management and control regarding care provider failure. Specifically, the audit reviewed:

- Procedures in place to be implemented in the event of a business failure of a care provider.
- Accountabilities and responsibilities of provider and client.
- Risk identification and management of care providers.
- Contract management /monitoring.
- Complaints monitoring / safeguarding alerts.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Arrangements to mitigate the risk of provider failure are generally sound.
- Risk identification and management of care providers is controlled through a Quality Assurance process, which is informed, in a timely manner, with information updates from the safeguarding alerts and complaints process. This information results in a "Services of Concern" list, showing the current position of concerns and subsequent actions taken.
- A new Quality Assurance process has been established for providers of residential care and Community Support Services, which, once fully embedded, will enable more efficient data analysis for more proactive early identification of risk factors.
- Early identification of risk relating to providers has helped protect against unexpected failure and the subsequent emergency remedial action that this would necessitate.
- Once identified, risk of failure is acted on appropriately by either supporting the provider or by ensuring the needs of the service user is not impacted where provider failure becomes unavoidable.

The audit also identified the following **areas for improvement**, for which three recommendations were made:

- The formal Provider Failure Policy which includes procedures to be followed needs to be finalised, approved and made available to staff.
- A "Market Position Statement", which forms part of the Council's relationship with the care and support sector, needs to be finalised and published.
- The system to capture data and monitor targets for providers of residential care and community support services should continue to be embedded.

All recommendations were agreed for implementation.

A3 Adult Social Care (ASC) Commissioning

The Care Act 2014 sets out a requirement for Councils with adult social services responsibilities to provide oversight of the care market, to work with providers to develop high quality services, to assure capacity to meet local needs and ensure people who use services are safe. The Council spends approximately £143m annually on adult social care.

The objective of the audit was to review the adequacy and effectiveness of the Council's risk management and control regarding care provider failure. Specifically, the audit reviewed:

- Commissioning strategy and its implementation to ensure local need are met.
- Commissioning systems and framework.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- An emergent Commissioning Strategy.
- The recent appointment of a Head of Adult Care Commissioning, whose role includes oversight of contract management, has enhanced leadership.
- There is an ASC Risk Register.
- There was evidence that the Care Act provisions have been embedded into the ASC Commissioning Strategy and the actual commissioning.

The audit also identified the following **areas for improvement**, for which six recommendations were made:

- Although there was an ASC Risk Register, there was no evidence of regular review or consistency of recording and monitoring.
- There also were no commissioning risks recorded in the Directorate Risk Register and hence no consideration of escalation to the Corporate Risk Register. This finding is emphasised given the annual spend associated.
- The need to embed the Commissioning Strategy into operational /service plans.
- There was not a consistent approach to commissioning and template for the commissioning of ASC (with the exception of Initiation Documents). Internal Audit referred management to National Audit Office guidance on ASC Commissioning.
- There was no formal commissioning review process of key stages (gateways) with the exception of the approval at the initiation stage.
- There was a not bespoke training and induction system for Commissioning staff.

All recommendations were agreed for implementation.

A4 Changes to Payment Terms

Internal Audit was requested to review the processes utilised when there are changes to supplier payment terms which are in favour of the supplier and provide advice / recommendations as appropriate.

The Council's standard payment term is 30 days. Payment terms are clearly stated within the terms and conditions of contracts and on all official Purchase Orders.

The updated Procurement Regulations (approved in May 2018) state that any variation to standard payment terms must be approved by the S.151 Officer. This replaces the previous Regulation that stated "*An existing contract must not be varied without the written consent of an Authorised Legal Officer.*"

A sample of suppliers, for the period 2016/17 and 2017/18 was reviewed where BCC' standard payment terms of 30 days had been changed in favour of the supplier (e.g. "immediate", "seven days", "14 days" or "21 days"). The testing indicated that a third of the sample of payment terms had no reasonable explanation or authorisation for the change.

The audit also identified the following **areas for improvement**, for which six recommendations were made, including:

- As per updated Procurement Regulations, no variation to standard payment terms be made without the approval of the S.151 Officer.
- A process should be developed which specifies the supporting documentation and authorisation required before consideration by the S.151 officer.
- Suppliers that have an authorised agreed exemption from standard payment terms should be created in distinct groups on the ABW system with associated payment terms reflecting any agreed exemptions.
- The Systems and Data Team (Corporate Finance).should work with the Procurement and Commercial Solutions Service to investigate how to progress towards ensuring that all other suppliers are set to the Council's standard 30 day payment terms unless express authorisation from the S.151 Officer has been recorded to the contrary.
- A review of the unsubstantiated variations identified should be undertaken.

All recommendations were agreed for implementation.

A5 Voluntary Sector Commissioning

The Council's Voluntary Sector Commissioning Service commissions £3.5m through the Bristol Impact Fund, providing funding to voluntary organisations to assist in the achieving of the Council's strategic objectives.

The objective of the audit was to review the adequacy and effectiveness of the Council's governance, risk management and control regarding grant making decisions on behalf of the Council and to ensure the appropriate commissioning protocol is followed. Specifically, the audit reviewed:

- Decision making processes to ensure the appropriate commissioning protocol is followed under Procurement and Financial Regulations.
- Monitoring arrangements and sampling of grants to ensure compliance.
- A sample of grant payments to ensure Procurement / Financial Regulations had not been breached.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- The establishment of a Strategy.
- Senior Management oversight.
- Good commissioning and monitoring systems.
- Procurement / Financial Regulations had not been breached in the sample tested.

The audit also identified the following **areas for improvement**, for which five recommendations were made:

- The need to follow Council Risk Management Policy in the management of risk associated with voluntary sector commissioning.
- The guidance on the definition of contracts and grants to be reviewed in liaison with Legal Services to ensure it is up to date and provides sufficient clarity.
- Where grants are commissioned by Directorate other than Adults, Children and Education, there should be standard commissioning and monitoring arrangements.
- There is no central register of grants issued by the Council.
- The need for staff who commission and monitor grants to be provided with bespoke training.

All recommendations were agreed for implementation.

B. CORPORATE / RESOURCES / COMMUNITIES

Technical IT audits have been completed in a number of areas cross Directorate, many of which are interlinked and these five summaries will cover them collectively.

B1 Future State Assessment of ICT

In 2017, a Current State Assessment of ICT was commissioned by the Council which identified the need for significant improvements across the Councils ICT infrastructure. A subsequent review was then commissioned, the "Future State Review", which involved a detailed review of all ICT related matters and services.

Internal Audit worked alongside the review team examining their methodology, findings and recommendations. The aim was to provide the Interim Service Director - ICT with assurance that the resulting assessment was robust and recommendations made to the Council were well founded to support the development of the Council's ICT Strategy.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. Our work concluded that:

- The assessment delivered is comprehensive, sufficiently detailed , reflects the current state of the Council ICT and recommends a future state that is modern, flexible and stable.
- The methodology used by the review team is appropriate, comprehensive and has been executed by experienced and appropriately skilled staff.
- The transition plan appropriately prioritises projects required to deliver the future state and phases their delivery across a five year period.
- However, the level of change is significant and ambitious. It will require significant engagement, direction and support from the wider Council, at a time when resources are reducing and pressures to deliver savings against agreed savings plans will be the focus of many service areas.

Four high priority recommendations have been made to management which, if implemented, should support delivery of the recommended transition plan by ensuring:

- Appropriate leadership and focus is applied, including consideration of the need for an IT Strategy Board as part of governance arrangements.
- People with the capacity, capability and necessary experience are in place to lead and deliver the required transformation.
- The transition plan is correctly resourced both from within ICT and also more widely across the Council and aligned with supporting functions.
- Robust programme and project management practices exist throughout the transition phase.

In July 2018, Cabinet approved a refreshed IT Strategy, target operating model, the transition plan and additional resources to assist with delivery of improvements.

All recommendations were agreed for implementation.

B2 Digital Strategy

Digital transformation is the integration of digital technology into all areas of an organisation, fundamentally changing how it operates and delivers value to its customers.

The audit review was carried out to provide the Interim Service Director - ICT with an assessment of the organisation's capacity and capability to deliver greater digitalisation of services going forward. Areas covered by the review included:

- Digital vision, strategies, plans and road maps.
- Governance of digital transformation, including Member and Senior Management Team engagement.
- Digital leadership capacity and capability across the Council.
- Organisational capability and capacity to support digital transformation.

Further details are provided for members in the exempt Appendix.

B3 Third Party Assurance

The Council has IT hosted services that provide core and non-core functions. IT hosted services help the Council improve efficiency and drive performance but they also increase risks related to information and data loss since information is held on third party servers. Therefore, suppliers of externally hosted solutions must have adequate procedures, controls and technologies in place to protect information but they should also ensure availability, recoverability and inter-operability with other systems.

The purpose of this review was to ensure that robust mechanisms are in place to ensure that commissioning of IT hosted services has considered availability, security and resilience in order to protect the Council's data. Specifically the review covered:

- A review of the process for engaging new providers of hosted ICT services in terms of assurance over availability of their service, security and resilience.
- IT security and resilience over the life cycle of the ICT contract.
- A review of the controls over "shadow IT".

Further details are provided for members in the exempt Appendix.

B4 Financial Systems Security and Resilience

The financial system is the key accounting system used by the Council. It is used for production of the annual statement of accounts, for ongoing management accounting and budget management. It is also used to administer the Council's expenditure made to suppliers, residents and service users and income from debtors. The system therefore forms a substantial part of the financial control environment.

The scope of this assignment included the following areas:

- Governance arrangements for system security.
- Security controls.
- System and data integrity controls.
- Third party hosting arrangements.
- Business Continuity, including back-up and recovery.

Further details are provided for members in the exempt Appendix.

B5 Operations Centre - On Premise Security and Environmental Controls

Internal Audit has reviewed the on premise (i.e. non-cloud based) ICT security and environmental controls for the Operations Centre at Bristol City Council. The original Terms of Reference had a Project Management focus. On review, however, the complexity of the hybrid-cloud environment, the centres reliance on IT and the large scale nature of the project, resulted in the Terms of Reference being amended to ensure adequate coverage over these higher IT risk areas.

The Operations Centre has a heavy reliance on a secure, resilient and available IT infrastructure. It is responsible for traffic management services, CCTV and public safety and telecare provision. Partners also host critical services on the Operations Centre Infrastructure and the Centre must be available 24/7, for 365 days of the year. It must therefore be highly secure and resilient.

The scope of this assignment included the following areas:

- Security Governance and Information Risk Assessment.
- Operations Centre Boundary Control and Intrusion Prevention System (IPS).
- Network Policy controls including segmentation and access controls.
- Vulnerability management and break detection capability.
- Physical security and environmental control.

Further details are provided for members in the exempt Appendix.

C. CORPORATE

C1 Partnership Governance

The Corporate Strategy 2018-2023 places increased emphasis on the Council working in partnership across the public, business and community sectors, sharing responsibility for finding joint solutions for the challenges all are facing.

The Partnership Boards currently in place include:

- Bristol Homes
- Health and Wellbeing
- Learning City
- Children and Adult Safeguarding.

The Council has, however, an unspecified number of other 'partners' with the relationships having varying levels of formality.

Partnership management requires efficient management from contract creation, execution, governance, monitoring and performance analysis for maximising value for money, achieving expected business benefits and minimising risk arrangements for service delivery.

The Council has the responsibility to maintain high standards of corporate governance and accountability in all areas of work, including partnership working, in order to maintain public trust and confidence. Partnership governance can pose particular difficulties where there may be a mismatch between culture, ambitions and priorities of different partners. As with any partnership arrangements there are risks around governance, control and value for money.

The Annual Governance Statement 2017/18 action plans identified the need to review partnership agreements, with an aim to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.

The objective of the audit was to review the adequacy and effectiveness of the Council's existing strategic partnerships working arrangements, partnership governance, risk management and related internal controls. Specifically, the audit reviewed:

- The current Partnership Register to consider the completeness of recording of partnership arrangements.
- The Partnership Toolkit and other guidance notes available to Services / Directorates to identify key risks of partnership working and how those risks should be managed.
- The adequacy and effectiveness of risk management arrangements.
- High level assessment of selected partnership arrangements to review how these are managed including review of established performance indicators, reporting and monitoring arrangements.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Risks relating to partnership working were acknowledged in the Budget risk matrix paper presented to Council and mitigations were being developed.
- An assurance process is in place which requires Executive Directors, Service Directors and Heads of Service to confirm regarding effective partnership arrangements within their Directorates as part of the annual assurance process collated to inform the Annual Governance Statement.

The audit also identified the following **areas for improvement**, for which four recommendations were made, which related to the following findings:

- The Council has set up partnership arrangements with varying degree of formality. Governance and risk management arrangements are inconsistent in the absence of clearly defined governing principles.
- A Partnership Register, with records of existing partnership arrangements, as required by the Partnership Policy (2010) has not been in place.
- The Partnership Policy and Toolkit (2010) is not aligned to the Council's current structures and ways of working. In the absence of an updated framework, there is no guidance to support officers and members on the approach to partnership working, strengthen accountability, data sharing and security and the managing of risks.
- There has been no identified lead to progress development of partnership working, as per proposals presented to the Audit Committee in April 2016. (Such proposals included reviewing membership and purpose of non-core partnerships to ensure resources are focused effectively and the development of measurements to evidence financial and social value).
- Annual Service Plans and performance measurement indicators / outcomes are not defined for all statutory and strategic partnerships.

All recommendations were agreed for implementation.

D. ADULTS, CHILDREN AND EDUCATION

D1 Schools Financial Governance

Audit reviews were undertaken at five schools/ nurseries to provide assurance that controls relating to financial administration of schools were effective and that, where the School budget is in deficit, a recovery plan is in place, appropriate and has been implemented. Specifically, the audits included reviews of:

- Financial Governance.
- Financial Framework.
- Budgetary Control.
- Deficit Recovery Plans.
- Financial Support.

The audits of financial governance at the five schools resulted in the following Audit Opinions being assigned:

- An infant school - **Reasonable Assurance**
- A special school - **Limited Assurance**
- Two nursery schools - **No Assurance and Limited Assurance**
- A primary school - **Limited Assurance**.

The main findings were:

- The five schools had significant deficits; at the time of the audit the projected year end deficits totalled in excess of £1.6m.
- Only one of the schools had made significant progress in reducing their projected deficit, largely through reductions in staffing costs; the others had seen their projected deficit increase.
- Three of the five schools had a good governance framework in place, but the commitment of governors varied considerably across schools.
- Financial skills and expertise was limited in all schools visited.

In total, 27 recommendations were made across the five schools including:

- Submission of a 2018/19 budget demonstrating how the deficit would be addressed.
- Agreement of a support plan with Council staff.
- Ongoing oversight of school finances by governors.
- Better documenting of financial matters including review of budget, financial delegations and declarations of business interests.
- Ensuring governors and staff had sufficient financial expertise.

All recommendations were agreed for implementation, although one nursery school did not agree the Audit Opinion of **Limited Assurance**, citing external factors which had reduced the school's ability to manage its budget.

In addition to the five audits above, an overarching report was prepared, which collated the themes and also related to oversight arrangements of schools financial governance, for example financial support provided to schools. This review resulted in an Audit Opinion of **Limited Assurance** being assigned.

The main findings identified were:

- Useful work had been undertaken in supporting schools, analysing schools' financial data and feeding back informally to school staff.
- Roles, processes and interactions of Council teams were not clearly defined from the start of 2017/18.
- Issues in relation to individual schools had not been formally reported or escalated and there had been delays in responding to schools submissions of budgets, financial reports and queries.
- Formal intervention by the Council had been late and inconsistent.
- The Council needed to consider how it can best support schools.

Six recommendations were made including:

- Applying a more consistent approach to monitoring and supporting schools financial governance in 2018/19 – a revised approach has already been put in place for 2018/19 and is currently being implemented.
- More formal and quicker escalation of financial issues as they become apparent.
- More consistent and prompter intervention in schools with significant financial issues, where it is apparent that support is needed.
- A review of structures, policies and procedures and the level of overall resource needed to support schools.

All recommendations were agreed for implementation.

D2 SS Peter and Paul Catholic Primary School

The objective of the audit was to provide an independent audit opinion on the effectiveness of internal controls relating to financial arrangements at the school, including the following arrangements:

- Governance arrangements.
- Expenditure.
- Income.
- Budgetary Control.
- Payroll monitoring arrangements.
- Asset Management.
- Information Security.
- Unofficial Funds.
- Business Continuity Planning.

Based on the completion of the fieldwork, audit opinions were assigned to each school with, a **Reasonable Assurance** Audit Opinion assigned for both schools. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Budget monitoring.
- Preventing unauthorised spend and /or obtaining best value.
- Data Protection.
- Business Continuity arrangements.

The audit also identified the following **areas for improvement**, for which 13 recommendations were made, including:

- Minutes of Governors meetings needing to evidence that budgets and financial reports had been appropriately scrutinised.
- Evidence of declaration of business interests by governors and staff were not available (this was addressed during the course of the audit).
- The School's Finance Policy in respect of the financial parameters for when tenders or quotes are required was not aligned to the Council's "*Finance Policy for Locally Maintained Schools.*"
- Control improvements in the recording and checking of income are required and the in the segregation of duties between the person collecting and recording the income and the person banking it.
- The School Imprest Account had never been reconciled.
- The Bank Mandate required updating.
- Although the School Fund had recently been audited, no cash book or spreadsheet was maintained to record income and expenditure.

All recommendations were agreed by management for implementation.

D3 Schools Financial Value Standard Return

All local authority maintained schools are required to complete a Schools Financial Value Standard (SFVS) return, authorised by the Chair of Governors. The SFVS is a self-assessment designed to help schools manage their finances and to give assurance that they have secure financial management in place.

The local authority is required to collate the SFVS and complete a summary return to the Education and Skills Funding Agency (ESFA) confirming that all eligible schools have completed an SFVS. Internal Audit collected the SFVS returns from 79 eligible schools and confirmed reasons for non-completion from a further 11, of which 10 were subject to Academy Order and 1 had financial delegation withdrawn.

The summary return was made to the ESFA by the deadline of 31 May 2018.

E. GROWTH AND REGENERATION

E1 Major Projects Delivery

The Growth and Regeneration Board (G&R Board) was established in January 2018. The purpose of this Board is to provide a strategic forum for review and monitoring of regeneration assets and growth programmes and projects; enabling effective decision making and ensuring alignment with the wider objectives of the Council.

The Corporate Capital Programme 2017/18- 2022/23 was approved by Council on 20 February 2018. The G&R Directorate is responsible for the delivery of nearly 70% (£513m) of the Council's total capital programme budgets (£745m). For 2018/19, the approved Capital budgets are £133m for G & R directorate and £189m for the Council. The G&R Directorate budget includes include key developmental projects within Transport (including strategic transport and development of sustainable transport), Energy Services, Regeneration & Major projects, Housing Delivery and Strategic Property which are critical elements of the overall corporate strategy and growth objectives

Internal Audit had early engagement with the Steering Group and G&R Board to support its development and review progress. Internal Audit met with key staff, reviewed documentation and commented on emerging structures and processes regarding the G&R Board's governance arrangements.

At the time of this Internal Audit review, the G&R Board was in a transition period, setting up processes of internal control, risk management arrangements and corporate governance. Consequently Internal Audit did not conclude on the level of assurance.

Internal Audit noted that the G&R Board's draft terms of reference were not aligned to the recently published new Decision Pathway. The G&R Board considers its remit to be focussed on programmes and projects within the G&R Directorate, however, the Decision Pathway requires all capital projects to be referred to the G& R Board.

A recommendation was made and agreed that The G&R Board's role, remit, governance and reporting arrangements should be clarified, formally agreed and communicated via Terms of Reference.

This recommendation was agreed for implementation and Internal Audit will undertake a subsequent review in 2018/19.

E2 Investment Property Portfolio

The objective of the audit was to review the adequacy and effectiveness of the Council's management of its Investment Property Portfolio. Specifically, the audit included the following:

- Identify Investment property holdings which are nearing the end of their current term arrangements and any back log of holdings where arrangements have lapsed. Ensure appropriate arrangements for their review are in place including the establishment/review of income thresholds/targets.
- Assess progress with the aim to deliver growth in short term rental income of £1.5m per annum and that the rental income growth objective remains realistic and achievable.
- Review progress with the development of a formal Property Investment Policy and consider whether current portfolio holdings are in line with the Investment Policy.

Based strictly against the agreed scope, a **Limited Assurance** Audit Opinion was assigned. The key findings identified during the review were:

- At the time of the audit, 50% of the portfolio was pending rent reviews and renewal of expired leases. The Property Team stated that the corporate priorities to deliver on capital targets, the reduction in resources and relatively lower potential of rental uplifts on reviews have led to such extensive back-logs.
- Arrangements had been put in place with external firms to address the backlog. Although these arrangements would not remove the complete backlog; priority was being accorded to properties with potential of rental uplift. Capital receipts of approximately £13m had been generated since 2016/17.
- The objective of short term rental revenue uplift of £1.5m as presented to the Place Scrutiny Committee in December 2016 was over optimistic and not supported by formal business plans. The Property Team stated that the proposal included the possibility of reinvesting capital in Investment grade properties to generate higher returns and revenue initiatives such as digital advertising, which would not be possible without wider corporate support.
- There was little evidence of progress in developing an overarching corporate Property Investment Policy as stated in the presentation made to the Place Scrutiny committee in December 2016.

Six recommendations for improvement were made, which included:

- The development of a Corporate Property Investment Policy, with clear investment criteria, target returns to provide a consistent basis for decisions on the Portfolio.
- Priorities and resourcing for rent reviews should be determined to mitigate the risk and maximise returns with close monitoring of progress.
- A timeframe for clearing the backlog should be set.

All recommendations were agreed for implementation, although the Property Services Team did not accept the 'high' priority of some of the recommendations, given the actions already under way.

F RESOURCES

F1 Payroll System Controls and Right to Work

Payroll is one of the key financial activities within BCC and is fundamental to effective delivery of Council services. It is also important to ensure that staff employed by the Council in providing those services have the appropriate legal status and right to work to avoid BCC being liable and penalised for non-compliance with the statutory employment rules and regulations.

The objective of the audit was to review the adequacy and effectiveness of the internal controls regarding payroll systems and right to work processes. Specifically, the audit reviewed:

- Starters and employees right to work.
- Leavers.
- Other amendments to payroll data.
- The accuracy and completeness of the monthly payroll run.
- Interfaces with other Council systems.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- The main and supplementary pay runs (and error reports) are processed on schedule, enabling staff pay to be processed and paid on time.
- Pay uplifts are checked to ensure automatic pay calculations are correct.
- HMRC statutory and monthly submissions were completed on a timely basis.
- The HR and Payroll data and systems are integrated which enables automatic updates and minimise errors and adjustment.
- Monthly payroll reconciliations to the general ledger are undertaken.
- New employees and their managers have completed and signed the starter notification forms and payments were timely.
- Leavers processing was actioned on a timely basis when received.
- Starter notification forms and Right to Work checks were appropriately undertaken for the sample reviewed.

The audit also identified the following **areas for improvement**, for which nine recommendations were made:

- A new Service Level Agreement with an external organisation for payroll services to be put in place.
- There was no Risk Register and Fraud Risk Assessment for activities relating to Payroll and Right to Work.
- Currently, Service Managers are not required to periodically confirm the existence, grade and pay of staff as a check against incorrect or fraudulent payments.
- The number of late leaver notifications had reduced consistently over the last three years but is still at a significant level, which increases the risk of overpayments needing to be recovered.
- The responsibility for recovering payroll overpayments is unclear, requiring clarity.
- An analytical review highlighted that between April 2015 and January 2018, of 2005 starter posts (excluding schools), 87 (4%) instances of single employment were without Right to Work data recorded for them.
- There is no monitoring report on employees with working visas and/or which visa may be nearing expiry dates or have expired.

All recommendations were agreed for implementation.

F2 Web Page Control

The Source and the external website are the main means by which the Council makes information available to the public and Council staff. For people, internally and externally, looking for key documents on Council governance and how to access services, then the Source (internally) and website (externally) are the starting point.

The purpose of the audit was to provide an opinion on the arrangements in place to control the content of the webpage. Specifically the audit included coverage of the following:

- Consideration of the governance in place to add, amend, move or remove information to/from the Source and website.
- Review amendments to Source/website documentation to ensure processes, procedures are followed and controls applied.
- Review of the assurance process in place to ensure information on the Source/website is complete, up to date and appropriate.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- BCC's public facing website has benefited from a significant programme of effort to improve content and establish service engagement processes to ensure quality and reliability of information to the general public. By contrast, the internal web pages 'The Source' is at an early stage of change activity.
- Responsibility for intranet content management was centralised to the Digital Services team.
- Website control is well established as a result of a mature process of major 'cleansing' exercise undertaken since in 2015 and there are signs that consideration is being given to follow a similar pathway for intranet content.

The audit also identified the following **areas for improvement**, for which 6 recommendations were made:

- A need to identify key content which will not be removed without consultation of the relevant service team.
- A requirement for service teams to regularly review content.
- The need for reminders to review content to be issued by the Digital Services Team.
- The platform used in managing the Source and Websites is old, outdated and unsupported making changes more difficult.
- Refinements are required to the process for requesting changes to the source and website to ensure appropriate advice (e.g. legal, financial etc.) is sought before content is published.
- Improvements are required to the audit trail of amendments made.

All recommendations were agreed for implementation.

5. Status of Internal Audit Work for the Period of: (1st April to 30th June 2018)

A. Risk Based Assurance Plan: 2018/19 - Progress to Date

Directorate	Gov. Risk or Int	Audit Plan	Name of Review	Stage of Review			Outcome		Summary of Findings:
				Initial Planning/TOR	In Prog/Ongoing	Draft Report	Complete	Assurance Level	
Corporate	Governance	Annual Governance Statement and Review Process				Yes	N/A	N/A	Presented to Audit Committee in July 2018 Meeting
Corporate	Information Security/ICT	Third Party Assurance (b/f)				Yes	None	Amber	Summary details provided at Appendix A
Adults Children and Education	Commissioning and Procurement	Adult Social Care Commissioning (b/f)				yes	Limited	Amber	Summary details provided at Appendix A
Corporate	Governance	Companies Governance - Oversight			N/A	N/A	N/A	N/A	
Corporate	Strategic Fraud	CIPFA Fraud Survey				Yes	N/A	N/A	
Corporate	Strategic Fraud	Transparency Data Reporting - Fraud				Yes	N/A	N/A	
Corporate	Governance	Senior Officer Decision Recording				Yes			
Growth and Regeneration	Financial Controls	Car Parking Income				Yes			
Growth and Regeneration	Projects and Programmes	Replicate (EU Grant funded Project)				Yes			
Corporate	Commissioning and Procurement	Voluntary Sector Commissioning (Avoidance of Procurement Regulations) (b/f)				Yes			
Communities	HR and Asset Management	Planned Maintenance (b/f)				Yes			
Corporate	Financial Controls	Grant Application Process (from 2017/18)		Yes					
Adults Children and Education	Financial Controls	Care Services - Accuracy of Billing		Yes					
Communities	Financial Controls	Security Services - Use of Imprest (Colston Hall)		Yes					
Corporate	Financial Controls	Savings Tracker for Change Programme (b/f)		Yes					
Corporate	Financial Controls	Directorate Budgetary control (b/f)		Yes					
Adults Children and Education	Governance	Three Tier Model (b/f)		Yes					
Adult, Children and Education	Fraud - Prevention	Education Team Requests		Yes					
Corporate	Fraud - Proactive Detection Exercises	NFI Output		Yes					
Resources	Fraud - Proactive Detection Exercises	NNDR b/f		Yes					
Resources	Fraud - Proactive Detection Exercises	AP Forensics - Accounts Payable fraud testing		Yes					
Communities	Fraud - Proactive Detection Exercises	Tenancy Fraud Case work		Yes					
Communities	Fraud - Proactive Detection Exercises	Gain work		Yes					
Corporate	Fraud Investigation	Fraud hotline management		Yes					
Resources	Fraud Investigation	Benefit Fraud casework		Yes					
Resources	Fraud Investigation	CTR Casework		Yes					
Adults Children and Education	Risk Management	CRR 16 - Children's and Safeguarding - assurance mapping	Yes						
Resources	Financial Controls	Development contributions (s 106 plus)	Yes						
Corporate	Fraud - Prevention	Bribery and Corruption Review - Fraud Controls Framework Review	Yes						
Adults Children and Education	Projects and Programmes	Strengthening Families	Yes						
Communities	Fraud - Prevention	Social Housing Gateway Review (Routes to Social Housing)	Yes						

B. Finalisation of Assignments at Draft Report Stage in Annual Report for 2017/18.

Corporate	Information Security/ICT	Operations Centre - On Premise Security and Environmental Controls				Yes	Limited	Red	Summary details provided at Appendix A
Corporate	Information Security/ICT	Future State Assessment				Yes	Good	Red	Summary details provided at Appendix A
Corporate	Information Security/ICT	Digital Delivery				Yes	Limited	Red	Summary details provided at Appendix A
Resources	Financial Controls	Payroll System Controls and Right to Work				Yes	Reasonable	Amber	Summary details provided at Appendix A
		Schools							
Adults Children and Education	Governance	Overarching School Report				Yes	Limited	Amber	Summary details provided at Appendix A
Adults Children and Education	Governance	School for Deaf Children				Yes	Limited	N/A	Summary details provided at Appendix A
Adults Children and Education	Governance	Nursery School				Yes	Limited	N/A	Summary details provided at Appendix A
Adults Children and Education	Governance	Infants School				Yes	Reasonable	N/A	Summary details provided at Appendix A
Adults Children and Education	Governance	Nursery School				Yes	None	N/A	Summary details provided at Appendix A
Adults Children and Education	Governance	Primary School				Yes	Limited	N/A	Summary details provided at Appendix A
Adults Children and Education	Financial Controls	Primary School				Yes	Reasonable	N/A	Summary details provided at Appendix A

C. Certifications

Directorate	Gov. Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Value of Grant Claim	Assurance Level	Risk Level
Communities	Financial Controls	NTS Funding and Grant (Scambuster)			Yes	£ 300,000	N/A	
Communities	Financial Controls	NTS Funding and sub Grant (Scambuster)			Yes	£ 81,000	N/A	
Growth and Regeneration	Financial Controls	IF 13 Development of Hengrove			Yes	£ 400,000	N/A	
Communities	Financial Controls	Disabled Facilities Grant			Yes	£ 261,339	N/A	
Growth and Regeneration	Financial Controls	GBVS - GIGABIT			Yes	£ 20,574	N/A	
Adults Children and Education	Financial Controls	SFVS Returns			Yes			
Growth and Regeneration	Financial Controls	Bristol Temple Quarter Enterprise Zone (TQEZ) RIF 008		Yes				

Growth and Regeneration	Financial Controls	WECA Highways and Capital Grant		Yes				
Growth and Regeneration	Financial Controls	Pothole Action Grant		Yes				
Communities	Financial Controls	CRC Energy Efficiency		Yes				

Total Grants Certified

£ 1,062,913

D. Recommendations Follow Up Work Completed:

Directorate	Gov, Risk or Internal Control Area	Name of Review	No. of recs. Not due F/Up	No. Of Recs. Due F/Up	In Progress	Complete	Implemented	In Progress/ Partial	Not Implemented	Superseded
Resources	Information Security/ICT	Mobile devices		16		Yes	2	1	7	6
Resources	HR and Asset Management	HR Processes		4		Yes	4	0	0	0
Resources	Financial controls	Accounts Receivable		14		Yes	4	9	0	1
Resources	Financial controls	Budgetary Control -People		8		Yes	5	2	1	0
Communities	Financial controls	Cash In Transit		6		Yes	3	3	0	0
Growth and Regeneration	HR and Asset Management	Property Assets: Sale of Assets (3 Audits)		13		Yes	8	5	0	0
Adults, Children and Education	Financial controls	Foster Care Payments		3		Yes	0	2	1	0
Corporate	Governance	Business Continuity Planning			Yes					
Resources	Commissioning and Procurement	Contract Waivers			Yes					
				64			26	22	9	7

E Adhoc Work Requests

Directorate	Gov, Risk or Internal Control Area	Name of Review	Stage of Review				Outcome		Summary of Findings:	
			Initial Planning/T OR	In Prog/ Ongoing	Draft Report	Complete	Assurance Level	Risk Level	Key Issues arising from the Report	
Resources	Financial Controls	Changes to payment terms				Yes	N/A	N/A		Summary details provided at Appendix A

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

26th July 2018

Report of: the Head of Paid Service

Report Title: Final Annual Governance Statement 2017/18

Ward: Citywide

**Officers presenting report: Denise Murray, Director of Finance / Jonathan Idle,
Chief Internal Auditor**

Contact Telephone Number: 0117 3576255 / 07768 635672

RECOMMENDATION

The Audit Committee consider and agree the final Annual Governance Statement together with an Action Plan as a fair reflection of the internal control and governance environment during 2017/18 and to date.

SUMMARY

The draft Annual Governance Statement was presented to the Audit Committee at the May 2018 meeting, at which members made comments and observations. Following this meeting, the draft version has been updated with broadly minor and minimal changes to the version members previously reviewed.

The City Council is required by the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements has taken place and the resulting final Statement is attached to this report.

The significant issues in the report are:

- the requirement for the Annual Governance Statement
- the review process undertaken to enable the Statement to be made
- the final Annual Governance Statement is attached together with an action plan which details the most significant control and governance issues identified during 2017/18.

Policy

Publication of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015. Additionally, the Council's Risk Management Policy Statement requires the Audit Committee to review the Annual Governance Statement to ensure it accurately reflects the internal control, risk management and governance arrangements in place.

Consultation:

Internal: Deputy Mayor, Statutory Policy Board (SPB), Section 151 Officer, Audit Committee, other relevant officers (Monitoring Officer, Chief Internal Auditor)

External: None necessary

1. Introduction

- 1.1 Arising from the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any shortfalls are identified and addressed.
- 1.2 The Annual Governance Statement must be a fair reflection of the internal control and governance environment during 2017/18 up to the date of being signed by the Head of Paid Service and Mayor alongside the 2017/18 Annual Statement of Accounts. The External Auditors have reviewed the draft AGS in detail as part of their audit of the Statement of Accounts for 2017/18.
- 1.3 The Accounts and Audit Regulations 2015 also specify that the AGS is considered by “the organisation itself, or a Committee of the organisation”, and this requirement is being met by this submission to the Audit Committee.

2. Final AGS

- 2.1 A robust approach to providing assurance for the 2017/18 Annual Governance Statement has again been utilised with senior managers from across the Council completing assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with arrangements in place during 2017/18.
- 2.2 The review process also examined a wide range of internal control and governance processes., which included:
 - meeting with Senior Management and other key officers within the Council, where appropriate;
 - obtaining and reviewing all External Audit and Inspection reports, Internal Audit reports and management monitoring reports;
 - the scrutiny and evaluation of the information obtained;
 - determining significant control issues within the definition agreed for disclosure; and
 - consultation with the SPB, Audit Committee and Deputy Mayor.

2.3 The AGS describes the Council's governance framework and reviews its effectiveness, which covers the following:

- Decision Making;
- Integrity, Ethics and Openness;
- Service Planning and Delivery;
- Information Technology and Information Security
- Risk Management Arrangements
- Financial Arrangements
- Council Owned Companies; and
- Audit arrangements.

2.4 The Statement summarises the actions and improvements which have been taken to enhance governance arrangements in 2017/18 before setting out significant governance and control issues.

2.5 In determining the significant governance issues to disclose, the following factors have been considered on whether the issues had:

- seriously prejudiced or prevented achievement of a principal objective;
- resulted in the need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the business;
- a material impact on the accounts;
- been considered as significant for this purpose by the audit committee or equivalent;
- attracted significant public interest or had seriously damaged the reputation of the Council;
- resulted in formal action being taken by the Section 151 Officer/Monitoring Officer;
- received significant adverse commentary in external inspection reports and which the Council has not been able to address in a timely manner.

2.6 In summary the significant governance issues arising in the Statement are as follows, from which actions are required relate to:

- Ombudsman report into treatment of a Homeless family;
- The Multi-Agency review following the death of Mr Bijan Ebrahimi;
- Health and social care integration in relation to delayed transfers of care;
- Supporting schools to deliver good or improved level of education within a reduced funding envelope;
- Stabilising ICT to support transformation;
- Digital vision and strategy;
- Partnership Agreements;
- Risk Management processes;
- Slippage in delivery of the Capital Programme;
- Procurement and Contract Management;
- Member development; and
- Performance Management.

Other Options Considered

None necessary

Risk Assessment

The need to maintain a robust Risk, Governance and Control environment is pivotal to the effective operations of the Council’s functions, a statutory requirement of the Accounts and Audit Regulations 2015 and an implied requirement of the External Auditor.

Failure to maintain and where required improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Disclosures of significant control weaknesses in a public statement could result in adverse press coverage. The document has also been discussed with Corporate Communications prior to publication.

Equalities Impact Assessment

None necessary for this report

Environmental Impact Assessment

None necessary for this report

Legal and Resource Implications

Legal - none sought.

Resources - none arising from this report, however resource implications may arise if the Council fails to maintain a robust control, risk and governance environment.

Appendices

Appendix A – Final Annual Governance Statement and Action Plan 2017/18

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers
Audit Committee Terms of Reference
Risk Management Policy Statement
CIPFA/SOLACE Guidance on the Annual Governance Statement

Annual Governance Statement 2017/18

Purpose of Statement

The purpose of this Annual Governance Statement (AGS) is to provide an overview of how the Council's governance arrangements operated, during the period 2017-18 and the subsequent period, up to the sign off of the 2017/18 financial statements and how the Council has reviewed the effectiveness of these arrangements. This statement includes an appraisal of the key controls in place to manage the principal governance risks. Where significant governance issues are identified, an explanation of what actions have been taken to bring about required improvement and the work still to be undertaken are recorded in an action plan.

It also meets the requirements of the Accounts and Audit Regulations 2015, which require the Council to publish an AGS in accordance with proper practice in relation to internal control.

The draft statement was presented to Directors and to the Audit Committee in May 2018, following which this statement has been finalised and formally approved.

Scope of Responsibility

We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

What is Corporate Governance?

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

The Code of Corporate Governance

The Council has approved and adopted a Code of Corporate Governance (the Code). The code is consistent with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework - *Delivering Good Governance in Local Government*.

A copy of the Code is available on the Council's website. This statement explains how the Council has complied with the Code.

The Code was refreshed and approved by the Audit Committee in January 2018 and will be reviewed on an annual basis.

The Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

The approach to governance, takes account of the environment in which the Council now operates; its aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

- All Members have an important role to play in representing their constituents, as well as acting together as the Council.
- Officers serve the Council as a corporate body rather than any political group, combination of groups or individual member.

Members and Officers should work in an atmosphere of mutual trust and respect. Members determine the Council's policies and Officers are responsible for implementing decisions taken by the Council, Mayor, Cabinet and/or the appropriate committee as well as taking decisions delegated to them under the Scheme of Delegation. Committees review and scrutinise decisions, they cannot start or stop executive action but can challenge reasonably holding members and officers to account.

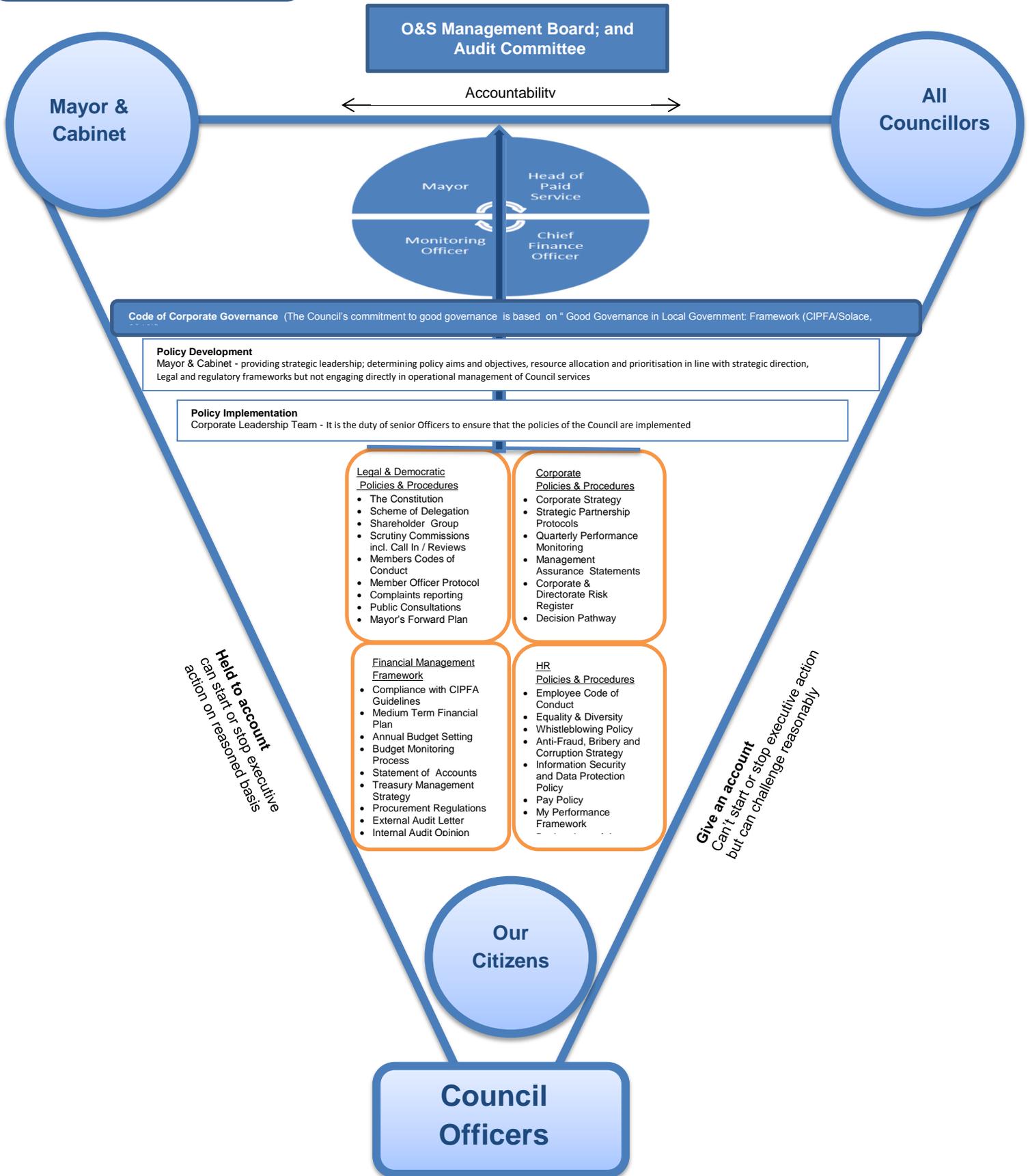
In discharging these duties all parties should act in an open, honest and transparent manner. The Council must seek to ensure that the highest standards are met and that governance arrangements are not only sound but are seen to be sound.

Legislation requires that certain functions be exercised by a 'proper officer'. The functions of the Mayor, Executive, Head of Paid Service, Chief Finance Officer (S151), Monitoring Officer and Statutory Scrutiny Officer are outlined in the Council's Constitution.

Committees & Boards

Scrutiny Commissions:	Regulatory Committees:	Other Committees:	Partnership Boards:
<ul style="list-style-type: none"> • Overview and Scrutiny Management Board (and call in Sub committee) • Resources* • Neighbourhoods* (Communities) • People* (Adults, Children & Education) • Place* (Growth & Regeneration) <p>*Constituted but did not meet in 2017/18 (see Decision Making , p.7)</p>	<ul style="list-style-type: none"> • Development Control • Licensing • Public Rights of Way & Green • Public Safety & Protection 	<ul style="list-style-type: none"> • Audit • HR • Selection Committee • Appeals Committee • Womens Commission 	<ul style="list-style-type: none"> • Bristol Homes • Health & Wellbeing • Learning City • Children's and Adult's Safeguarding • WECA Committee • WOE Joint Committee

Accountability within the Governance Framework



NB: Please note that this is not an exhaustive list of policies or accountabilities for the Council e.g. Safeguarding and other statutory and regulatory responsibilities are not covered by this framework

Statement

How did we do?

The Council operates in a complex, uncertain and constantly evolving financial, policy and legislative environment and the role, responsibilities and funding models of local government are in a period of rapid flux.

There was recognition early in the year of the need for change in how the Council must work to manage increasing demands for our services in the context of shrinking budgets. In addition we must also consider the structures required to ensure the right support is available and the required changes to support new ways of working are in place. The Council must continue to engage in a broad programme of innovation and reform work. This is to ensure that services for residents are efficient, effective and value for money, and can be maintained within available resources.

The Council's vision for Bristol and priorities in terms of the contribution to strategic outcomes has been clearly set out in the refreshed Corporate Strategy 2018-2023. It makes new commitments and focuses more on partnership working, inclusivity and a strategic direction as a 'development organisation', with less emphasis on the traditional 'service delivery' model. One element of the Council's vision is to 'play a leading role in driving a city of hope and aspiration where everyone can share in its success.'

The underpinning annual business plan identifies four strategic themes:

- Empowering and caring
- Fair and inclusive
- Well connected
- Wellbeing

It is explained within these themes the actions we're taking, the related commitments that will help us achieve this vision and the key measures of success. The business plans are supported by more detailed service plans which will be regularly monitored and reviewed during the course of 2018.

A clear set of council values and behaviours has been agreed and communicated via a range of mechanism and forums which have included staff training workshops and are being embedded in our 'My Performance' framework.

The Council has continued to review its governance arrangements, the Constitution and underpinning strategic documents such as the Financial Regulations, Contract Procedure Rules, and scheme of delegations. All have been refreshed and were approved by full Council in May 2018.

Following the departure of the Chief Executive in 2017 the statutory role of head of paid service has been discharged by the Executive directors on a rotational basis. A new senior management structure at strategic and service director level has been designed, creating a smaller team who will work with partners in co-designing initiatives and delivering our priority outcomes. The structure was launched by the Mayor in December 2017 (details of the structure are available on the Council's website). A transitional approach has been taken to its implementation. A phase of permanent recruitment is ongoing and progress is being made in relation to the delivery of agreed savings in senior management posts. The changes taking place present both opportunities and challenges. Major change can affect organisations across all levels. In implementing new strategies, processes and structures we have sought where possible to minimize negative outcomes. The scale and timing of the staffing changes has presented challenges in terms of capacity, continuity, contact points for external customers, transition planning and handover of delivery plans. Interim resources have been secured to provide backfill capacity, independent assurance and address skills gaps. This has enabled stocktakes and in-depth reviews to be undertaken with a fresh pair of eyes and the right expertise. Further issues and risks have been unearthed and improvement plans developed in a number of key areas.

How did we do?

The strategic financial framework, financial management and quality of the financial reporting have improved during the course of the year. There has been a particular focus on stabilising the Council's finances and within the challenging financial climate building resilience for the medium term. We have demonstrated that we are implementing achievable actions to deliver the cumulative savings programme as agreed by Council. We have ensured that there is a Council-wide commitment to identify alternative savings plans, where savings are at risk and hold funds in abeyance to mitigate the impact of the combined savings and budget pressures. A balanced position has been achieved for 2017/18 and with the exception of the Dedicated Schools Grant (DSG), ring fenced accounts have ended the year with under spends.

There is still however much to do in improving our financial management. Significant focus has been on the general fund and we now need to review and ensure ring fenced accounts, capital programme management, governance of our partnerships and our companies are also exposed to similar levels of rigour.

The Council welcomes peer challenges, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. Management responses are provided and agreed actions are being implemented and appropriately embedded.

Further Progress Required

A number of key challenges that were identified in 2017 remain at the early stage of development and continue to be high priority areas of work, particularly around workforce, skills systems and processes, which is scheduled to continue throughout 2018 as part of our transformation. The size, complexity and scale of the improvement work required and the level of resources available has meant a more pragmatic approach being adopted. This has ensured strong governance and co-design over changes being developed and implemented and has been critical in our ability to sustain both the improvement work and ongoing successful service delivery.

In relation to health and social care, it is acknowledged by all relevant partners that targets have not been met in the transfers from acute and non-acute care (delayed transfer of care). Arrangements for effective discharge planning and joint working between services need to be improved and funding is being earmarked for this purpose. The Better Lives Adult Transformation Program is seeking to address a number these issues and the progress will be closely monitored and reported throughout the year.

Within the context of changing national policy in relation to schools, including changes to the school funding formula, number of schools in deficit, high needs pressures and the reducing role of local authorities, a detailed review is required with a plan developed which supports schools to deliver a good or better level of continued improvement of education within a reduced funding envelope.

There is a shared view amongst service managers that navigating and negotiating corporate governance structures has been particularly challenging in 2017. Decision making processes were considered to be cumbersome and not sufficiently supporting service delivery. Consequently these have been subject to further review with the aim of ensuring the interventions add value whilst not reversing any positive trajectories achieved. The effectiveness of the changes in processes will continue to be monitored.

The review of governance arrangements has identified 12 main areas where the Council will need to focus its efforts during 2018/19, to address changing circumstances and challenges identified. These are set out in the action plan. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2019.

The **Constitution** establishes how the Council operates, outlining the roles and responsibilities of the executive, non-executive, scrutiny functions and sets out the terms of reference for each of the Committees and includes a schedule of matters reserved for decision by Full Council, delegation arrangements to Members and Officers. Supporting procedures underpin the Constitution for example Financial Regulations, Contract Procurement Rules, Member/Officer Protocols and other procedures of how decisions are taken and the processes and controls required to manage this.

All Council and committee meetings are held in public other than in limited circumstances where consideration of confidential or exempt information means the public are excluded.

The **Cabinet** is responsible for the key decisions of the Council. The Cabinet met frequently and made decisions in line with the Council's overall policies and budget.

The **Mayor** holds executive decision making powers in relation to all policy decisions not reserved for the Council. Requests have been made by Councillors for greater visibility of future decisions and at present the Forward Plan is kept under review and published monthly. The Mayor will take (or delegate to Cabinet members) key decisions in public.

Delegation of decision making to officers is detailed in the Scheme of Delegations so that they can deal with the day-to-day running of the service.

A '**Decision Pathway**' was introduced in the early part of the year to support the decision making process aiming to ensure that decisions were lawful, properly consulted and made based on full and accurate information. Practical application of the decision pathway however identified it as being complex and over-technical by managers across the Council and a perception that it resulted in delays in making timely decisions and in some cases missed opportunity.

The decision pathway has more recently been reviewed again to address these concerns and its effectiveness is subject to ongoing review.

Records - Decisions made by Committees, Council and Cabinet, (under their delegated powers) are recorded and published online for transparency. Senior Officers decisions (with a value of £100K to £499K) are recorded in meeting minutes, including meetings with the Executive Member and the relevant management team. A review of the publishing of Officer Executive decisions is under way and reminders have been issued at Directorate Management level.

Consulting members in decision making is a core part of the democratic process. Members are engaged through a variety of methods including weekly Cabinet Member/Portfolio holder briefings for which minutes are taken. Additionally, officers work alongside Scrutiny members in task and finish groups targeting particular areas.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members 28 days in advance of decisions unless the need has arisen to use the special urgency provisions.

The decisions of the Cabinet are subject to scrutiny through the Overview and Scrutiny Management Board and can be called in for scrutiny to ensure that they are soundly based and consistent with Council policy.

Scrutiny Members decided to trial a different approach to scrutiny during 2017/18 which, in addition to the Overview and Scrutiny Management Board, established task and finish groups in place of directorate scrutiny committees. These were not public meetings; the groups included wide Member involvement aimed to undertake 'deep dives' of identified areas with a view to service or policy improvement.

The 2017/18 **Scrutiny Task and Finish Groups** were:

- Air Quality and Pollution
- Children's Centres
- Cribbs Patchway New Neighbourhood
- Council Assets
- Council Commissioning and Contracts
- Demand on Social Services (Adults)
- Fire Safety in Council Owned High Rise Buildings
- Libraries
- Medium Term Financial Plan
- Parks

The effectiveness of the Task and Finish Group arrangement has been reviewed with Members in February 2018 and 2018/19 will see Public Directorate scrutiny commissions meeting 3 times each year with a reduced number of Task and Finish groups. The Overview and Scrutiny Board, which met 14 times during 2017/18, will continue to meet going forward and will overview the work of the other scrutiny commissions.

The role of the **Human Resources Committee** includes the employment and remuneration of Executive Directors and Directors. Full Council has delegated to the Committee the power to determine the terms and conditions on which employees hold office including procedures for their dismissal and functions relating to local government pensions.

The **Audit Committee** meets independently of the Executive and Scrutiny functions. Whilst it has no routine decision making authority (outside of approving the annual statement of accounts), it provides assurance to Full Council that decision making processes are sound. A key purpose of the Audit Committee is to hold officers and the Executive to account where decision making and risk management processes have not been robust.

The **West of England Combined Authority (WECA)** is a separate legal entity, made up of three of the local authorities, working in partnership to deliver economic growth in the region. The West of England Mayor, who was elected in May 2017, has been given powers over spending, previously held by central government, on the region's transport, housing, adult education and skills. WECA also provides support to the West of England LEP Board and to the West of England Joint Committee, which includes North Somerset Council.

Scrutiny and Audit Committees have been established to scrutinise and hold to account the new Combined Authority and West of England Mayor. Decision making timetables between WECA/Joint Committee and the Council need to be aligned in order that those aspects of business which require Council approval are given sufficient time, scrutiny and governance.

Review of Effectiveness – Integrity, Ethics and Openness

The Council has responsibility to review the effectiveness of its governance. This review has been coordinated by the Internal Audit Team and included managers from each Directorate collating, reviewing and evidencing compliance and identifying any governance improvements required within their areas. Issues identified by External Reviews, Internal and External Audit were also considered for inclusion in this statement. Where the issues identified are considered significant, these will be outlined in the 2018/19 Annual Governance Statement action plan.

The Council's **Monitoring Officer** has legal responsibility to look into matters of potential unlawfulness and has confirmed that there has not been the need to make a report concerning any proposal, decision or omission that would give rise to unlawfulness or maladministration. Decisions have been made in accordance with the relevant policy framework.

Entries made in the Register of Members Interests were reviewed by the Monitoring Officer.

The Council's **Code of Conduct**; all new employees are required to declare any potential conflicts of interest and to sign the Code of Conduct upon commencement of employment. The adherence to timeliness for recurrent declaration of interests has improved within 2017/18 and will continue to be monitored on an ongoing basis.

The Council also has a Code of Conduct for elected and co-opted Members. The Audit Committee monitors standards of conduct of Members and when it appears that a breach may have occurred these are referred to the Audit Committee by the Monitoring Officer for a hearing.

If it appears that the Code of Conduct may have been broken by a member of staff that would warrant disciplinary action. This would be referred to the relevant service (HR or Audit) for investigation.

Employees are made aware of **core policies** such as the Anti-Fraud and Corruption Policy, the Whistleblowing Policy and the IT Security Policy upon induction and updates are shared through "The Source" (Council intranet) or cascaded through leadership and team meetings.

The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations and surveys this year have included a survey on council tax increase and a consultation on new ways of running parks and open spaces.

The Audit Committee is responsible for ensuring that arrangements are in place for the proportionate and independent investigation and follow up of **Whistleblowing** allegations, in line with recommended best practice.

The annual review of Whistleblowing arrangements occurred in 2017/18 and some areas where improvements could be made regarding awareness and confidence in Whistleblowing arrangements were identified and reported to the Audit committee during the course of the year.

Review of Effectiveness –Service Planning and Delivery

An extensive consultation exercise in 2017 led to a new **Corporate Strategy** for the period 2018-23, adopted by Full Council meeting in February 2018 as part of the Council's Policy Framework. The Corporate Strategy provides the Council's overarching medium term strategic direction and priorities for the next five years. In addition the strategy now takes account of the emerging One City Plan and updates information on the challenges facing the Council.

This is the basis on which the annual business plans have been prepared and the Council's performance framework (included individual officer performance) is grounded.

To keep the plan relatively short and simple, only the top level actions and most important measures of our success have been included in the Business Plan. Some actions may relate to more than one commitment, but are listed next to the most relevant one. To ensure the plans and the milestones and high level performance indicators remain relevant, they will be periodically refined in response to internal and external changes.

The Corporate Strategy includes our **values & behaviours** which defines how we work and what we stand for. These will be rolled out and embedded within the whole organisation.

Performance is monitored in line with business plan themes, directorate and key service plan drivers. In some areas such as Children's services, performance is measured and monitored via national professional standards.

The Council's approach to managing staff performance ("**My Performance**") requires regular, quality conversations and periodic online assessment. Online completion is monitored but inconsistent application has been identified. The Head of Human Resources has advised that only 42% of staff having registered completion of review compared to 68% in 2016/17. This decline in completion has resulted from a lack of clarity regarding the timing, development and roll out of the new performance monitoring framework that appropriately reflects the Council's vision and values.

The average working days lost to **sickness** as at December 2017 was 9.22 days, compared to 8.4 at the comparative period in 2016. This exceeded the target of 7.5 days and absence due to stress and limb disorder has significantly increased in 2017.

A number of planned additional actions have been developed to improve the number of working days lost due to absence; including regular case management, proactive targeted support for managers and systematic performance reviews.

Work is now well progressed on a **Strategic Workforce Plan** which now needs final approval and implementation. The plan will include work streams on: organisational culture; structure pay and reward; performance and talent management; diversity and inclusion; employer brand, recruitment and health and wellbeing. The Health and Wellbeing work stream includes: mental health training for staff; assisting colleagues through change; and launching a wellbeing website with support tools for managers and staff.

Partnership working is fundamental to the work of the Council and delivery of the Corporate Strategy. There are many forms of collaboration with other organisations and these are governed in many ways – constitutional governance groups, contractual arrangements, partnership/service level agreements and information sharing arrangements. Some work-streams, however, would benefit from a more formalised approach than is currently taken. Work to refresh the Partnership policy is underway and will be based on a full awareness of all partnership arrangements.

In planning its services, the Council aims to consider the social, economic and environmental impact of its approaches. These aims are at the heart of public service and there are many examples of how Council services deliver '**social value**' of this kind.

More specifically the Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submission Further work is required to ensure that social value outcomes are agreed, clearly understood and effectively monitored going forward and to this effect the Social Value element of the Contract Procedure rules have been strengthened.

The Council has a procedure for tracking, handling and reporting formal complaints. These are reviewed and reported through the performance reporting framework.

During 2017/18, the Council responded to 76% (target of 90%) of complaints within the required timescales. Whilst this demonstrates progress when compared to 2016/17 (58%), we recognise that improvements are required to achieve higher levels of compliance.

Additionally, to further enhance performance the Council must also ensure that they learn from complaints received.

In 2016/17, a need to enhance Member development arrangements was identified. Ensuring Members have the correct skills to support community leadership and decision making is an important aspect of delivering the Council's aims and objectives. Additional resources have been allocated to develop a robust Member development programme going forward.

A new approach to Member briefings, various programmes of training has been delivered (e.g. to the Audit Committee) and a member online library containing items such as technical briefing has more recently been developed to ensure there is coordination and ease of access to information. A Member development steering group has been established and they have undertaken a gap analysis against the LGA Chartermark. This is forming the basis for a programme of work that is in part supported by the LGA but also strengthens links with other services.

A **Multi-Agency Learning Review**, completed by the community safety partnership, Safer Bristol was published in December 2017 following the death of Mr Bijan Ebrahimi.

This report concluded that both the Council and the police collectively failed to provide an appropriate and professional service to Mr Ebrahimi. The review identified 14 recommendations for organisations, 4 specifically for the Council which included the process and evidence for Anti-Social Behaviour injunctions, a review of current vulnerable tenants, reviewing diversity training and awareness raising activities and change in our vulnerable tenant's policy. Actions outlined in the agreed action plan are being progressed and delivery is monitored through the Safer Bristol Executive.

The Local Government and Social Care Ombudsman made findings of fault in respect of the way the Council dealt with a family's housing and homelessness applications and storage of their belongings. The family had to share a single hotel room for more than three years.

The report referred to a number of Council departments being aware of the family's problems in the period 2014-2017 but that "nothing was done about their housing situation until the Ombudsman got involved." The report noted the actions taken by the Council to provide part remedy, for example action during the investigation to register a homelessness and housing application. Recommendations were made and actions required in terms of financial remedy, publication of the report, reporting the matter to the Council and informing the Ombudsman of compliance with the actions specified.

The Council has an information security policy which is currently being refreshed to include strengthened requirements brought by the General Data Protection Regulations (GDPR). The holder of Senior Information Risk Owner (SIRO) role has changed during the year with a new SIRO appointed in February 2018. Turnover in asset owners and lead custodians has also brought a loss of organisational knowledge however this has provided the opportunity to review practice and procedures.

98% of staff has been trained in information security and GDPR training is currently being rolled out to all employees with 95% completion currently achieved. Further work, however, is still required to train colleagues in data retention.

A future state assessment of Information and Communications Technology (ICT) has taken place resulting in identification of a 'desired' future state that is modern, flexible and stable. If implemented effectively, the future state will help to ensure that the Council's ICT works to support departments in delivery of Council services going forward and enables the Council's digital ambitions, as these become clearer, to be realised. An achievable but challenging transition plan has been developed and costed with the intent of moving the Council to the desired state by 2023.

The future state offers a vision of ICT provision that is both lean and well positioned to leverage the benefit of current technology to help deliver the Council's digital ambitions for great end to end digitisation of services. The Council is, however, currently operating without a business led Digital Strategy to co-ordinate and drive digital development across the Council.

The priority given to preparing for the new GDPR regulations was escalated in the latter part of the year and additional resources sourced to address key priorities for compliance by 25 May 2018. A risk based approach is now being taken which will see the key building blocks in place by the 25 May, including:

- Training completed Council-wide
- Processes for handling subject access requests
- Record of processing activity
- New contracts will be GDPR compliant
- Updated privacy notices
- Privacy Impact Assessment (PIA's) completed
- Consent forms updated
- Old data reviewed and in the process of being deleted

Plans are in place to ensure the Council is fully compliant going forward and progress is being monitored by the SIRO. At the same time, information governance overall is being reviewed to incorporate stronger oversight of arrangements concerning information management and security including reviewing the role and terms of reference of the information assurance group.

Procedures were in place during 2017/18 to report information security breaches internally. Some 280 such reports were made during the year, of which 2 were reported to the Information Commissioner's Office with no further action being required in either case although in one case the Council were deemed to be in breach. Senior managers have provided assurance that action by them, in concert with experts in the Council, to respond to those breaches appropriately were taken. However, there have been some failings to report breaches to the information commissioner in a timely way. Similarly, a number of subject access requests had not been dealt with in a timely manner. Processes are now being reviewed as part of GDPR preparations to ensure these processes are rectified now and going forward.

Review of Effectiveness – Risk Management Arrangements

The Council's **Risk Management Policy** was reviewed, endorsed by the Audit Committee (September) and approved by Cabinet (December 2017). The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is intended to be used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities.

For the key strategic risks, named risk managers are identified in the Register. Risk management should be an integral component of the business planning, project management and other corporate processes, such as the budget, linking risk to the achievement, monitoring and resourcing of objectives at directorate level.

Risk management needs to continue to be embedded within the Council and risk training options are currently being reviewed and refreshed including consideration of online tools.

The Corporate Risk Register was refreshed using new methodologies as outlined in the policy and received by the Audit Committee November 2017 and Cabinet January 2018. It is proposed that the Corporate Risk Register will be reported at least twice a year.

However, during 2017/18, the following practices were not consistently applied to assist with embedding Risk Management at all levels and across the Council:

- **Quarterly review of Corporate and Directorate Risk Registers.** This lapsed during the year. Whilst development work was completed in respect of the Corporate Risk Register, Directorate Risk Registers were not consistently maintained in line with the new format and or policy.
- Whilst the Risk Management Policy was approved, **training and awareness** needs to be addressed to ensure consistent application.

I.T contracts which support the delivery of corporately **critical systems have been systematically risk assessed** and monitoring and mitigation have been developed to minimise Council risk exposure across the 280 contracts.

The Council responded seriously to the financial challenge and had set about reassessing its financial bases to more realistic levels to address the financial gap. A number of areas of the financial plans were ambitious and some areas of risk were identified and have been managed.

Resourcing Risk Management: A dedicated and specialist risk manager was not in place to drive forward improvements and assist managers and advise Members on the management of risks and issues. An interim resource has been sourced early in 2018/19 to support the Council with embedding the principles and to consider how this area should be resourced in the future.

Whilst risk management has been inconsistent at strategic level, assurance statements from managers across the Council indicate ongoing consideration of risk at service delivery level. This can range from management of service risks in line with that governed by national frameworks and professional standards to risk consideration in project delivery or new business case approvals.

The **Director of Finance** has confirmed that the principles outlined in the CIPFA *Statement on the Role of the Chief Financial Officer (S151 Officer) in Local Government* have been complied with in performing her duties.

The S151 Officer is a member of the Councils Corporate Leadership Team and as such is ideally placed to develop and implement strategic objectives within the Council, influence material business decisions and oversee corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes.

The Council's approach to Financial Management ensures that public money is safeguarded and used to best effect in supporting both long term achievement of objectives and shorter term financial and operational performance when ensuring value for money is achieved.

Changes to the local government finance system, and delivery of continued significant savings continues to present significant risks to the Council's priorities and ambitions. Through effective leadership the key focus for 2017/18 has been:

- Delivering our core strategic framework (of which financial framework is integral), improved financial management and quality of the reporting
- Stabilising of Council finances within the challenging financial climate.
- Implementation of a strengthened regime of governance and assurance.
- Ensuring sufficiency of resources with appropriate skills and capabilities.

Good progress has been made in the following areas:

Core strategic framework

- Review Policy and Budget framework within the Constitutional review
- Refresh financial regulations / scheme of delegations
- Developed a 5 year rolling MTFP
- Contract procedure regulations

Stabilising of Council finances

- Annual budget, including 5 year capital programme and Treasury Management Strategy.
- LGA Budget Peer review undertaken to support this process and improve budget setting.
- Budgets have been managed within delegated limits – balanced position achieved for 2017/18.

Strengthened governance and assurance

- Improved governance of savings programme via the Delivery Working Group and Delivery Executive and budget management Budget Scrutiny and Budget Executive – Member involvement
- Increase capacity and profile of Internal Audit, with improved inspection and assurance regime.
- The MTFP and budget process involved the engagement of members via the Scrutiny Task and Finish Group.

Sufficiency of resources with appropriate skills and capabilities

- Resources realigned to provide greater agility and risk based target of resource
- Additional skills and capacity secured via interim resources.

Further work is required in the following areas:

- Develop a Capital Strategy and improved governance of the capital programme
- Deep dive review of ring fenced accounts (HRA / DSG/ PH), partnerships and our companies
- Implementation of outstanding audit recommendations and finance systems and process improvements.

The 5 year **Capital Programme** contains high level programme areas and schemes at varying levels of readiness and as outlined in the draft finance outturn report for 2017/18 many projects have been subject to delays as a result of internal and external factors which have resulted in significant slippage and incremental re-profiling of budgeted / planned expenditure. This is a trend which we have seen reflected in prior years (identified in the 2016/17 AGS review) and urgent improvement is required to strengthen project management and capital governance.

The updated 2017 Prudential Code for Capital Finance in Local Authorities and its associated guidance highlight the need for the further strengthening of capital governance arrangements in local authorities. A Capital Strategy forms a critical part of strategic and financial planning, to ensure capital investment, proposals are fully justified in accordance with the strategic vision and fosters an integrated approach to the deployment of capital spend against a clear set of priorities including readiness assurance.

The Council will develop a capital strategy and ensure that robust governance arrangements are in place in 2018/19 for delivery of its rolling five year Capital Programme (including major infrastructure projects delivered in conjunction with regional Partners) to ensure initiatives that involve the direct delivery of significant infrastructure and capital investment are transparent within the Capital Programme from their inception and delivery ultimately overseen by a strategic governance board.

Procurement procedures were revised during 2017/18 to achieve transparency regarding third party activity across the Council, standardisation and efficiencies where appropriate and increase rigor in our procurement practices.

As a result of the gateways and processes introduced a number of weaknesses have surfaced in terms of procurement forward planning, contract management and understanding of procurement regulations. This area was also identified for review in the Audit plan for 2017/18.

Audit findings and responses contained in the Assurance Statements in respect of **Procurement and Contract Management** highlighted the following concerns regarding robustness of process:

- The use of waivers in the procurement of goods and services continued to be high and the waivers process was not applied consistently. It was identified that many waivers could have been avoided with effective contract planning.
- Services being procured outside of agreed framework agreements.
- Standards of contract management were found to be inconsistent across the Council.

Management actions were outlined in response to the Audit findings which aims to strengthen the Council's approach to commissioning, procurement and contract management. This included the introduction of a category management approach to procurement, a revision to the Contract Procurement regulations which includes category forward plans and whole life contract management. Implementation of this approach and its effectiveness will need to be monitored in 2018/19.

Bristol is Open (BIO) Ltd is a Joint Venture company in which both the Council and the University of Bristol own a 50% stake. BIO was established to be the vehicle for an experimental broadband, wireless and high performance computing infrastructure that will stimulate and study the convergence in cities of different telecommunication, software, hardware, data and sensing technologies. BIO is expected to oversee the research infrastructure and form commercial partnerships with large technology companies, SME's and research organisations.

An Internal Audit review of the Council's own governance arrangements in relation to BIO was undertaken early in the financial year and identified areas for development and improvement in respect of how the Council monitors the achievement of the objectives set out in the original business case and assess value for money in this high tech sector and the need for improved risk management arrangements.

The Councils performance oversight is provided by the Shareholder group and company governance has been further strengthened in more recent months with the reinstatement of shareholder meetings. A new Managing Director was appointed during the course of the year and a revised business plan is in development which will align to the strategic ambitions of both shareholders and will need to be underpinned by a financially sustainable operational plan. Work will continue in conjunction with the Shareholders to finalise any outstanding or associated commercial, legal and governance arrangements.

The turnover of BIO does not meet the materiality threshold and as such the company accounts are not consolidated within the Council's accounts.

The companies **Bristol Energy** and **Bristol Waste** are wholly owned by the Council through a company, Bristol Holding Limited.

- **Bristol Energy** is 'social' supplier of gas and electricity to domestic and business customers
- **Bristol Waste** provides recycling, waste collection, disposal and street cleansing services on behalf of the Council and because of the nature of the business the company is permitted an exemption (Teckal Company) from public procurement.

The companies produce their own accounts which are subject to independent external audit and consolidated into the Council's accounts.

An independent review was undertaken of Company Governance with recommendations agreed that will assist the Council in improving the level and effectiveness of Council oversight of the activities of those companies that it either wholly owns, or in which it has an interest. The implementation and the impact of actions taken in respect of the governance improvements identified by the review will be monitored throughout 2018/19.

The Council retained a thin client function; however it has been necessary during the course of the year to increase the capacity to oversee the contractual relationship with the companies. The appropriate size and scope of the client function going forward is under consideration.

In 2018/19 an assurance report will be provided from the companies Audit Committee for the Council's Audit Committee. The report will outline any significant risk/issues reported and the effectiveness of the internal controls. The timing and format of the report is still to be agreed.

Review of Effectiveness – Council Owned Companies

Assurance statements based on the model used by Council managers has been completed on behalf of each company to provide reassurance that governance arrangements are sound.

Each company has put in place their own governance arrangements which reflect the commercial environment within which they operate. The companies operate in accordance with agreed business plans and progress against them is monitored internally and reported to the Council's Shareholder group.

The energy market is both huge and complex and will always be punctuated by periods of shorter-term price volatility. Due to the cyclical nature of the market and the costs to serve, the investment horizon in the energy market is generally long term and **Bristol Energy** remains committed to their plan for meeting long-term growth and social value.

In 2017/18 the financial and trading environment remained challenging. Whilst Bristol Energy exceeded their target level of customer numbers, attracting more customers than predicted, the margins were lower than originally forecast. These factors in conjunction with the continued investment in business growth, innovation (such as smart metering) and our customer service which aimed to bring benefits to all customers, resulted in an increase in the net operating losses over the planning period.

The Governance arrangements have been strengthened, monthly performance reports which include operational and financial key performance indicators in addition to budget reports are presented to the Board and Shareholder group. An Audit and Risk Committee has been established and a mechanism is being considered which will ensure Audit Committee members and senior management are provided with independent, objective views on the risk and internal controls within the company. Plans are in place for the establishment of a Remuneration Committee in 2018/19.

A Risk Management framework is in place with regular review of key risks of the business reported to the Board and the Audit and Risk Committee. A Business Continuity Plan for the company is in place and was tested during the extreme weather conditions in 2017/18.

The arrangements above will support robust decision making and achieving the aim to provide a wide range of benefits to residents and local businesses, deliver positive social impacts through job creation and tackling fuel poverty.

Bristol Waste, exceeded its expected performance in the attainment of household and municipal waste recycling percentages assisting the City in achieving its statutory targets in 2020 and through improved contracts, has dramatically reduced the quantity and % of Bristol's waste being disposed of at landfill (15% for 2017/18 represents a 10% reduction on the previous year) and achieved a net surplus for 2017/18.

It has been recognised that there has been an insufficient level of Non-Executive Directors on the Board at Bristol Waste, which has impacted upon the ability to maintain effective governance arrangements in respect of Audit Committee and Remuneration Committee arrangements. There has been a significant turnover in the senior management team in a relatively short period of time but this has been mitigated by interim arrangements to ensure that operational delivery was not adversely impacted and where appropriate permanent recruitment is underway.

Bristol Waste maintains a risk matrix which is regularly reported at Board and through to the Shareholder Group this needs to be further developed to reflect a more rigorous approach to reporting of risk and realisation of opportunities. In addition to the above the evolving Business Continuity Plan is being further developed and due to be finalised in the first quarter of 2018/19.

The preparation of the Annual Governance Statement has continued to be based on a robust approach whereby Managers and relevant budget holders from across the Council complete assurance statements for each of their areas acknowledging responsibility for internal control and risk management. Each of these employees have certified or otherwise their satisfaction with the arrangements in place during 2017/18. Several areas for improvement have been identified.

An external peer review of the Internal Audit service was completed in 2017/18, which concluded that the team was generally compliant with professional standards (97% fully or partially compliant). An action plan for improvement has been agreed and implementation will be monitored via the Audit Committee. Additionally, an internal review has highlighted various areas for development in order to enhance the Internal Audit service.

The Audit Committee provides independent assurance on the adequacy of the governance arrangements in the Council and has cross party representation.

The Internal Audit Team has undertaken a programme of reviews around governance arrangements, internal control and risk management arrangements at the Council.

The Committee met on six occasions during 2017/18, considering reports from the Chief Internal Auditor including the Annual Internal Audit Report, the S151 Officer, the Monitoring Officer and the External Auditor.

Overall, their opinion is that only **limited assurance** could be provided in respect of 2017/18 as detailed in the Annual Internal Audit Report.

The Annual assessments of the effectiveness of the Committee was undertaken (following CIPFA good practice guidance) to identify any areas where improvements are necessary to increase its effectiveness. Independent members were appointed during 2017/18 to strengthen the Committee.

The Audit Committee received regular reports on **counter fraud and fraud investigations** throughout 2017/18.

A review of the Council's position related to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption was reported to the Audit Committee in 2017/18. Fraud work continues to identify potential recoverable savings.

BDO is currently the Council's appointed **External Auditor**. As well as the examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in the use of its resources.

In its Annual Report for 2016/17, BDO issued an unmodified true and fair opinion on the financial statements. It also made an adverse conclusion on the Council's arrangements in place for securing economy, effectiveness and efficiency in its use of resources.

The profile of the Internal Audit section has been improved via increased attendance at management team meetings and regular meetings with management. This has contributed towards an improvement in the rate of implementation of audit recommendations.

IMPROVEMENTS MADE IN 2017/18

During 2017/18, the Council has made progress in enhancing its' governance arrangements via the following:

- ✓ The Corporate Strategy has been refreshed with developments in its alignment to business and service planning
- ✓ A clear set of Council values and behaviours has been agreed, incorporated into the Corporate Strategy and communicated via training workshops.
- ✓ During the course of the year, there have been a number of internal and external reviews. All reports have been discussed in a range of forums, duly considered, management responses provided and agreed actions are being implemented and embed appropriately. Such independent external reviews of Council services, systems and processes include:
 - Registration and Elections Service;
 - Local Government Association reviews of Children's Services finances, Early Help Services, Intervention Targeted Services;
 - LGA review of Special Education Need and Disability;
 - Joint Targeted Area Inspection of the multi-agency response to Abuse and Neglect by the Council;
 - Peer Challenge on the theme of Neglect;
 - Ofsted Monitoring Inspections of every Children's Home.;
 - Governance review of Council owned companies;
 - LGA Budget Peer Review;
 - Peer Review of Internal Audit services compliance with Public Sector Standards; and
 - Future State Assessment of ICT provision.
- ✓ A review of corporate equalities practise has been initiated.
(The Corporate peer challenge that was scheduled for 2017 and postponed will now occur in Autumn 2018.)
- ✓ The work of the Urban Design and Place Shaping Teams is reviewed and challenged by external agencies such as Historic England, the Civic Society for consistency of advice and championing of good design and has been further enhanced by improving the regularity of scrutiny by the Bristol Urban Design Forum.

IMPROVEMENTS MADE IN 2017/18

- ✓ A diagnostic of Children and Adult Services was undertaken which translated into improvement plans for the services, which has included promoting improvement through the benchmarking of regional services.
- ✓ Appointment of an Independent Chair for the Strengthening Families Transformation Board to drive challenge and support in the process of transformation.
- ✓ The Council was one of only 13 local authorities in the country to secure “Earned Autonomy” status in the management of the Troubled Families Programme. This will secure additional troubled families payments to spur faster service transformation and drive high quality support to families.
- ✓ BSI accreditation has been achieved in respect of complaints handling
- ✓ There have been improvements in financial monitoring arrangements that have enabled remedial action to be taken within the year.
- ✓ There has been an increased profile of Audit across the organisation achieved by attendance and Directorate Management teams and regular meeting with management and the Implementation of audit recommendation has also shown improvement.
- ✓ Following the identification of concerns in-year, the decision pathway was reviewed towards the end of the financial year.
- ✓ There has been improved monitoring of the performance of the companies by the Council's Shareholder Group.

**Significant
Governance Issues**
(see key below for definition)

No systems of control can provide absolute assurance against material misstatement or loss. In concluding this review a number of issues have been identified that need to be addressed to ensure continuous improvement in the governance framework. Some of these, identified below, are significant and, where necessary, additional improvements have been identified in a separate internally monitored action plan.

In the 2016/17 Annual Governance Statement, 14 significant governance issues were identified for improvement. These were monitored by 22 key actions and reported regularly to the Audit Committee in 2017/18.

As at March 2018, it was reported to the Audit Committee that 23% of actions were complete and that 77% of actions were in progress.

The following represent the significant governance issues for 2017/18 and where a similar issue was reported in 2016/17, it is referred to accordingly.

Issue No.	Issue Identified
1	The Local Government and Social Care Ombudsman report into the treatment of a homeless family identified a number of recommendations to be addressed. This report was considered by Cabinet in May 18 with a further detailed action plan to be considered at a future Cabinet meeting, date to be confirmed.
2	The Multi-Agency review following the death of Mr Bijan Ebrahimi identified recommendations for the Council which require ongoing monitoring.
3	There is a need to enhance the support of the integration of health and social care by ensuring effective governance is in place in relation to delayed transfers of care.
4	A detailed review is required and plan developed which supports schools to deliver a good or improved level of education within a reduced funding envelope.
5	The Future State Assessment of ICT within the Council has recognised the need to stabilise ICT and ensure it supports transformation going forward. This should include reviewing disaster recovery arrangements.
6	Having a strong business led digital vision and strategy for the organisation will support service change and drive the organisation to delivery to citizen expectations with regards to the digitisation of services.
7	Arrangements for the Council's approach to working in partnerships have been set up with varying levels of formality. Governance and risk management arrangements are inconsistent in the absence of clearly defined governing principles. (This was reported in the 2016/17 AGS).
8	Risk Management processes need to be consistently applied in order to embed risk management across the Council. (This was reported in the 2016/17 AGS).

9	There has been significant slippage in delivery of key capital projects in line with the agreed capital programme. (This was reported in the 2016/17 AGS)
10	Audit reviews and responses in the Assurance Statements identified weaknesses in the consistency of contract management arrangements and also the use of contract waivers continues to be high and reflects the need for improved contract planning have been identified by both. (This was reported in the 2016/17 AGS)
11	It has been identified that there is a need for the member development programme to focus on members' core skills, community leadership and decision making roles. (This was reported in the 2016/17 AGS).
12	Performance management of our employees has been inconsistent with only 42% having registered completed performance reviews. (This was reported in the 2016/17 AGS)

Actions taken to address these Significant Governance Issues will be reported to the Audit Committee in 2018/19.

Key – Significant Governance Criteria:

The criteria for "significant governance" are issues/ areas which:

- Seriously prejudiced or prevented achievement of a principle objective;
- Resulted in the need to seek additional funding to allow it to be resolved;
- Required a significant diversion of resources;
- Had a material impact on the accounts;
- Resulted in significant public interest or has seriously damaged reputation;
- Resulted in formal actions being taken by the Chief Financial Officer or Monitoring Officer;
- Received significant adverse commentary in external inspection reports that has not been able to be addressed in a timely manner.

Statement of Commitment

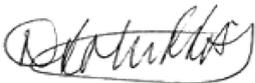
Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of Bristol, in an inclusive and open way. It requires standards of behaviour that support good decision making, collective responsibility, individual integrity, openness and honesty. It is fundamental to showing public money is well spent and without good governance the Council will struggle to improve services.

From the review, self-assessments, work undertaken and on-going monitoring supported by the work of Internal Audit, we have reached the opinion that a number of key systems are not operating soundly and that there remains a need for improvement.

An action plan has been outlined in this report which takes steps to address the need for improvements that has been identified in our review of effectiveness. However as part of our commitment to further strengthen governance, local accountability and to explore how effectively we are delivering services, the Council will take part in a Corporate Peer Challenge in September 2018 organised by the Local Government Association.

This was originally scheduled for 2017 but was postponed due to the Grenfell Tower tragedy. This provides us with an invaluable opportunity to provide an external perspective and 'baseline' for the Council in terms of our current position. Furthermore, the challenge will explore how the Council can best achieve its strategic ambitions and plans for the future and use the organisational values as key references points to guide the teams work.

We are satisfied that these steps will address the need for improvements and strengthen the governance arrangements in place for identifying governance issues and taking mitigating action. We will monitor their implementation and operation over the coming year through the Corporate Risk Register, Directorate Service and operational plans as required and Statutory Policy Board. In addition during the year the Audit Committee will monitor progress against the issues identified in this statement.



Signed:.....
Denise Murray
Chief Finance Officer (S151 Officer)



Signed:.....
Shahzia Daya
Monitoring Officer



Signed:.....
Jacqui Jensen
Acting Head of Paid Service



Signed:.....
Marvin Rees
Elected Mayor of Bristol



Audit Committee

26th July 2018

Report of: Director Finance, S151

Title: Corporate Risk Management and Risk Register Update

Ward: Citywide

Officer Presenting Report: Denise Murray – Director of Finance, S151

Contact Telephone Number: 0117 3576255

Recommendation

The Audit Committee review and comment upon progress made on the Councils Risk Management arrangements and the Corporate Risk Report (CRR) Appendix A, as a source of assurance that risk management arrangements are in place and developing.

Summary

This report presents the progress being made in embedding and maintaining risk management arrangements within Bristol City Council and the CRR summary report as at June 2018. Progress on Risk management arrangements and the CRR summary report will be presented to the Audit Committee quarterly going forwards.

The significant issues in the report are:

- The CRR is an important tool in managing risk. It aims to provide an overview of the significant risks facing the council and how they are being managed. The CRR attached to this report at Appendix A is the latest formal iteration following a review by members of the council's Corporate Leadership Board (CLB) in June 2018. The risk review has included managers from across the Council.
- As strategic planning, resource management and resilience processes are strengthened; the identification, management and communication of risk to the achievement of the Council's strategic priorities and objectives will continue to embed.
- The Risk Management Policy will be subject to an annual review and reported on in 2018-19 and the output from the CRR will annually contribute to the annual Audit Plan.



1 Policy

The Accounts and Audit Regulations 2015 require the council to have in place effective arrangements for the management of risk. These arrangements are reviewed each year and reported as part of the Annual Governance Statement (AGS). The Council is required to comment on the effectiveness of its arrangements in this regard. The statement must also identify any significant governance issues that may have resulted from failures in governance and risk management.

Ensuring that the CRR is soundly based will help the council to ensure it is anticipating and managing key risks to optimise the achievement of the council's objectives and prioritise actions for managing those risks.

The CRR provides assurance to management and Members that the Bristol City Council's significant risks have been identified and arrangements are in place to manage those risks within the tolerance levels agreed.

The CRR is a management tool and needs regular review to ensure that the occurrence of obstacles or events that may put individual's safety at harm, impact upon service delivery and the council's reputation are minimised, opportunities are maximised and when risks happen, they are managed and communicated to minimise the impact.

Risk Registers are an important part of risk management, and the CRR has been prepared and presented in line with the Risk Management Policy that was considered by the Committee in September 2017 and was approved by Cabinet in December 2017.

2 Consultation

Internal - First to fourth tier managers, Extended Leadership Team, Corporate Leadership Team, Cabinet Member, Finance, Governance and Performance.

External - None

3 Context

3.1 Risk Management Framework

3.1.1 Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the council achieving its priorities and objectives and a key element of the council's governance framework. The Annual Governance Statement (AGS) declaration for 2017-18 has highlighted a number of opportunities to enhance Risk Management. Areas for improvement include:

- Increasing the level of engagement and ownership by Service Managers.
- Enhancing the engagement of Members in the risk management process.
- Refreshing the Corporate and Directorate Risk Registers.
- Risk Management training and awareness.
- Risk Management within Business Case approvals, Project Management and Procurement Frameworks.
- Maintaining the focus of the process on reducing risk against the council's Corporate Plan 2018-23.

3.1.2 An interim Risk Manager has been sourced to further embed Risk Management principles and practices within the council.

3.2 The Corporate Risk Register (CRR)

3.2.1 The Corporate Leadership Board (CLB) has reviewed the CRR in June 2018 and accepts it as a working register which will need continued improvement as it embeds.

The CRR sets out the significant critical and high rated risks. All other business risks reside on the Directorate Risk Registers.

The Corporate Risk Register (CRR) as June 2018 contains: No Critical risks, 12 high rated risks (pages 1 to 12), 5 medium risks (pages 13 and 17), and 1 high and 1 medium event risks (pages 18 to 19). A summary of the progress of risk for this reporting period is set out below.

3.2.2 There are seven improved risks this quarter:

- **CRR1 - Delivery of the long term commercial investments programme and major projects may require greater than anticipated capital investment:** which covers a number of commercial and asset investment requirements, and their potential impact on the council's finances, as identified in the budget report approved by Full Council in February 2018 improved from a 4x7 (28) critical risk to 3x7 (21) high risk. The Growth and Regeneration Board have reviewed the council's Capital Governance arrangements and established the Growth and Regeneration Board. The Board will provide oversight of delivery and management assurance to ensure ongoing improvement of the capital programme. This risk is managed and monitored on the Growth and Regeneration Risk Register.
- **CRR8 - Service Review:** If the organisation is not able to redesign its services quickly enough, a reduction in staffing levels and loss of experienced and skilled staff will have an impact on service delivery, and on remaining staff. This has improved from 4x5 (20) high risk to 3x5 (15) high risk. The senior management restructure is nearing completion and the external support from the Local Government Association (LGA) on the recruitment process has led to all roles being recruited against in the new leadership framework. This approach will be rolled out to the wider organisation as part of the performance and talent management refresh. There have been regular internal communications with staff, members and key stakeholders to keep everyone up to date with developments. The senior management restructures are scheduled for completion by end of July 2018. This risk is managed and monitored on the Resources Risk Register.
- **CRR12 - Civil Contingencies and Council Resilience:** If the City has a Major Incident, Contractor Failure or the council inadequately responds, then the impact of the event may be increased with a greater impact on people and businesses. This has improved from a 3x7 (21) high risk to 2x7 (14) high risk. Continual progress is being made on contingency plans, exercising working in partnership with the Avon and Somerset Local Resilience Forum (LRF) to enable Bristol to respond to significant events. This risk is managed and monitored on the Communities Risk Register.
- **CRR13 - Financial Framework & Medium Term Financial Planning:** Failure to reasonably estimate and agree the financial 'envelope' available, both annually and in the medium-term and the council is unable to set a balanced budget improved from 2x7 (14) high risk to 2x5 (10) medium risk. The council has developed a strong rolling Medium-term financial planning process and is working to ensure a rigorous structure exists to oversee the budgetary control process from budget setting through to monitoring, oversight & scrutiny. This risk is managed and monitored on the Resources Risk Register.

- **CRR14 - Information Governance:** Introduction of the General Data Protection Regulations (GDPR): The council has made significant progress on compliance with the General Data Protection Regulations (GDPR). The risk improved from 2x7 (14) high risk to 2x5 (10) medium risk. The next steps are to deliver a Business Case to the Statutory and Policy Board (SPB) in June 2018. This risk is managed and monitored on the Resources Risk Register.
- **CRR16 - Leadership:** If there is a lack of leadership or management skills then this could impact on performance and the ability to deliver positive change. The risk improved from 4x5 (20) high risk to 2x5 (10) medium risk. The council has made significant progress on the development of its leadership and management skills to help deliver positive change. This risk is managed and monitored on the Resources Risk Register.
- **CRR17- Strategy Management:** The council fails to produce or embed a Corporate Strategy with clear links through to business planning and performance management, resulting in less effective implementation of policy, use of resources and/or partnership working. The risk improved from 2x7(14) high to 1x7 (7) a medium risk. The council has made significant progress on the Strategy Management to help deliver BCC's Corporate Plan 2018-23. This risk is managed and monitored on the Resources Risk Register.

3.2.3 The following risks have been revised this quarter:

- Safeguarding Vulnerable Children and Vulnerable Adults has been split into two risks:
 - CRR9: Safeguarding Vulnerable Children.
 - CRR10: Safeguarding Vulnerable Adults.
- Business Continuity and Civil Contingencies has been split into two risks:
 - CRR5: Business Continuity and Council's Resilience.
 - CRR12: Civil Contingency and Council's Resilience.

3.2.4 The medium risks - Legal disputes and claims, self-insurance and the risk of claims to the council not being covered by the council's insurance policies; and Partnerships - in the current context of change, coupled with collective financial challenges, the effectiveness of partnership working may be jeopardised, previously reported in Q3. 2017/18 are managed and monitored on the Resources Directorate Risk Registers to manage and monitor.

3.2.5 All identified risks have been reviewed in light of the revised scoring and will set the performance for future reviews. All risks on the CRR have management actions in place. The CRR will be subject to a refresh during 2018.

3.2.6 As with all risks, it is not possible to eliminate the potential of failure entirely without significant financial and social costs. The challenge is to make every reasonable effort to mitigate and manage risks effectively, and where failure occurs, to learn and improve.

3.2.7 Further details are contained in Appendix A.

4 Proposal

The Audit Committee review and comment upon the draft Corporate Risk Register (CRR) as a source of assurance that risk management arrangements are in place.

5 Other Options Considered

None necessary. Having robust risk management processes in place is a requirement of the City Council. The CRR has been developed in line with the new Risk Management Policy.

6 Risk Assessment

The CRR will further develop risk management assessment within the City Council, and help the management of risk arrangements embed.

7 Public Sector Equality Duties

- 8a)** Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 8b)** No equalities assessment necessary for this report.

8 Legal and Resource Implications

Legal - N/A

Financial - N/A

Land - N/A

Personnel - N/A

9 Appendices:

Appendix A - Corporate Risk Register - The summary of the risks are set out on pages 1 to 19 including controls and management actions, a summary of risk performance on page 20, the risk matrix on page 21 and the risk scoring criteria on page 22. A more in-depth risk register is available on request.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Risk Management Policy

Corporate Risk Register as at June 2018 - Risks to the achievement of Bristol City Councils Objectives.								
Risk title and description	What we have done	Performance	Current Risk Level			Tolerance Risk Level		
			Likelihood	Impact	Risk Rating	Likelihood	Impact	Risk Rating
<p>CRR13: Financial Framework and MTFP.</p> <p>Failure to reasonably estimate and agree the financial 'envelope' available, both annually and in the medium-term and the council is unable to set a balanced budget.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> Inadequate budgeting & budgetary control/Financial Settlements & wider fiscal policy changes: <ul style="list-style-type: none"> The potential for new funding formulas such as fair funding, business rates retention, new national funding formula for schools and High Needs to significantly reduce the government funding available to the council alongside possible increase in demand for council services. Political failure to facilitate the setting of a lawful budget. Unable to agree a deliverable programme of propositions that enable the required savings to be achieved. Insufficient reserves to mitigate risks and liabilities and provide resilience. <ul style="list-style-type: none"> Rising inflation could lead to increased costs. Economic uncertainty impact on locally generated revenues - business rates and housing growth, impacting on council tax, new homes bonus and business rate income. Brexit - the general uncertainty affecting the financial markets, levels of trade & investment. Judicial review. 	<p>BCC manages its financial risks through a range of controls including budget preparation, budget setting and a Budget Accountability Framework. Roles and responsibilities for managing, monitoring and forecasting income and expenditure against approved budgets have been updated.</p> <p>The council has developed a strong rolling Medium-term financial planning process to enable the strategic objectives and statutory duties are met. We are working to ensure a rigorous structure exists to oversee the budgetary control process from budget setting through to monitoring, oversight and scrutiny including:</p> <ul style="list-style-type: none"> The level of reserves and balances are regularly reviewed to ensure that account is taken of any financial risk. Financial Regulations and Financial Scheme of Delegation is in place. Regular in-year monitoring and reporting, review of future financial plans and assessment of financial risks and reserves are undertaken to ensure the financial plans are delivered. 2018/19 Budget and Capital Programme agreed by Full Council in February 2018 with agreed savings programme and outline capital programme to 2023. Medium Term Financial Strategy agreed by Cabinet in July 2017 and refreshed annually detailing savings, growth, and risks. The Mid-Year Treasury Report for 2017/18 presented to Audit Committee and Full Council in accordance with the Council's Treasury Management Process. Challenge meetings to challenge 2018/23 budget process are ongoing. The ongoing production of a programme of propositions that exceed the forecasted budget gap to provide members with options and headroom for variations in financial estimates. Changes to propositions are maintained in the DWG Tracker. The ongoing agreement of initial budget, proposals and key assumptions by Corporate Leadership Board and Executive and submission to scrutiny. The ongoing assessment of the adequacy of general reserves and any specific reserve which takes into account an assessment of the risks related to the budget estimates and financial/economic climate. The maintaining of the evolving financial model that reflects in a timely manner changes in national and local assumptions. 	↑	2	5	10	1	7	7
Risk Owner: S151 Officer and Director of Finance.	Action Owner: Section 151 Officer, Acting Executive Director Resources and Acting Director of Finance.	Portfolio Flag: Finance, Governance and Performance.			Strategy Theme: Our Organisation.			

Appendix A: Bristol City Council - Corporate Risk Register Report as at June 2018

Corporate Risk Register as at June 2018 - Risks to the achievement of Bristol City Councils Objectives.									
Risk title and description	What we have done	Performance	Current Risk Level			What we are doing	Tolerance Risk Level		
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Risk Rating
<p>CRR14: Information Governance.</p> <p>Introduction of the General Data Protection Regulations (GDPR).</p> <p>If the City Council fails to prepare for successful implementation of the General Data Protection Regulations (GDPR) then it may fail to fully comply with its statutory requirements.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> • Failure to adequately plan for the implementation of the GDPR being introduced in May 2018. • Failure to invest in the required systems, equipment and posts required to implement these regulations. • Failure to adequately train staff in the requirements of the regulations. • Lack of resource (capacity or expertise) to manage Subject Access Requests. 	<p>A project team was put in place November 2017 and a plan developed around the Information Commissioners Office (ICO) 12 step plan January 2018. A 'Senior Information Risk Owner' was appointed (SIRO) February 2018 and Project Manager in November 2017, funding for additional Project Resource was approved by Statutory and Policy Board, April 2018. An informed Health Check with a supporting action plan was put in place February 2018 refocussing the project on essential elements of compliance for 25 May 2018. An Assurance Group is in place to support the SIRO and will continue to meet to manage and monitor the plan. The Extended Director Management Team has been briefed and weekly progress updates provided.</p> <p>The Data Protection/ Data Retention Policies have been updated and Data Protection (DP) guidance has been revised. The Data Protection Officer is in post and the Statutory Data Protection Officer has been appointed Q4. 2017/18. We have reviewed and implemented the Privacy Impact Assessment process and updated data sharing agreements with external partners and written to 1,200 highest risk suppliers to advise changes to contract.</p> <p>A Data Protection Audit of Personal Data held has been carried out and the Record of Processing Activities (ROPA's) completed.</p> <p>Interim improvements have been made to the Subject access request process to centralise the receipt of requests. The anticipated increase in requests has not yet materialised and improvements have been made to the way Data breaches are reported.</p> <p>Support has been provided to schools including a brief, guidance and templates and access to a data protection lawyer. Assurance that GDPR companies and schools are compliant was reviewed in Q4. 2018 and is ongoing. Members have been briefed and template ROPA's and Privacy Notices provided in Q4. 2017/18.</p> <p>A staff E-Learning package was launched and 99.9% of staff completed this. A training package was also been launched for staff who do not have access to ICT systems. New notices have been made available on the council web site detailing how we use personal data in a more transparent manner.</p> <p>Communication has been via the Source with council wide GDPR Communication in May 2018 as well as the ask GDPR mailbox, twice weekly drop-in sessions and the intranet - Source page has been updated with guidance, templates and examples for GDPR actions.</p> <p>There is regular reporting to the Cabinet Member for Finance, Governance and Performance, Deputy Mayor Cllr. Cheney, on progress against GDPR plan with updates provided to the Audit Committee quarterly.</p>	<p>↑</p>	2	5	10	<p>We have made significant progress on compliance with the General Data Protection Regulations (GDPR). Our next steps are to deliver a Business Case to the Statutory and Policy Board (SPB) in June 2018.</p> <p>This risk has improved within the quarter and will be moved to the Resources Directorate Risk Register to continue to be managed and monitored.</p>	2	3	6
Risk Owner: Senior Information Risk Owner (SIRO).	Action Owner: Senior Information Risk Owner (SIRO) and GDPR Project Manager.	Portfolio Flag: Finance, Governance and Performance.	Strategy Theme: Our Organisation.						

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Corporate Risk Register as at June 2018 - Risks to the achievement of Bristol City Councils Objectives.									
Risk title and description	What we have done	Performance	Current Risk Level			What we are doing	Tolerance Risk Level		
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Risk Rating
<p>CRR15: Financial Deficit.</p> <p>The council's financial position goes into significant deficit in the current year resulting in reserves (actual or projected) being less than the minimum specified by the council's reserves policy.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> • A failure to appropriately plan and deliver savings unscheduled loss of material income streams. • Increase in demography, demand and costs for key council services. • The inability to generate the minimum anticipated level of capital receipts. • Insufficient reserves to facilitate short term mitigations, risks and liabilities. <p>Interest rate volatility impacting on the council's debt costs.</p>	<p>BCC's Financial framework ensures that we have in place sound arrangements for financial planning, management, monitoring and reporting. New spend decisions and borrowing is only supported where the source of revenue resources to meet the costs is clearly identified and availability confirmed by Finance. Getting our accounts produced on time and without audit qualification is important to ensure that we can properly account for the resources we have used during the year.</p> <p>Corporate Revenue Monitoring Reports with identified risks are reported to Cabinet, overspending departments prepare action plans with responsible Directors identified.</p> <p>The ongoing review and due diligence of all budget savings by Delivery working Group and Delivery Executive, Corporate Leadership Board and the Executive. The pipeline of propositions to be incorporated into the DWG tracker, due diligence undertaken and subject to DWG/DE governance and assurance process.</p> <p>The ongoing regular monitoring reports to Corporate Leadership Team and Cabinet management reports setting out progress on delivery of savings and other risks and opportunities in addition to the forecast expenditure.</p> <p>We have continual oversight and ongoing management of the council's financial risks.</p> <p>Internal audit also undertakes a number of reviews of our financial planning and monitoring arrangements.</p>	↔	2	5	10	<p>A review of robustness of forecasting in light of YTD run rates and other associated evidence.</p> <p>Budget Improvement – The executive will review service recovery/delivery plans, options for mitigation and their viability, risk and priority outcome implications - both immediate and the wider MTFP impact.</p> <p>Where viable in year recovery/delivery plans cannot be achieved, Strategic Directors will report to the Mayor and Cabinet seeking a supplementary funding approval in accordance with the council's delegated executive approval powers (up to £1,000,000 for an area of activity).</p> <p>Where viable in year recovery/delivery plans cannot be achieved, Strategic Directors will report to prepared for Full Council (in accordance with the Budget & Policy framework) to seek agreement to a supplementary estimate (> £1,000,000 for an area of activity).</p> <p>We will seek agreement from the Executive of the alternative measures held in abeyance across other General Fund services e.g. which will be offset and advise all associated Strategic Directors appropriately.</p> <p>We will carry out a re-assessment of service delivery risks and opportunities and risk and other reserves.</p>	1	5	5
Risk Owner: S151 Officer and Director of Finance.	Action Owner: Section 151 Officer, Acting Executive Director Resources and Acting Director of Finance.		Portfolio Flag: Finance, Governance and Performance.			Strategy Theme: Our Organisation.			

Corporate Risk Register as at June 2018 - Risks to the achievement of Bristol City Councils Objectives.								
Risk title and description	What we have done	Performance	Current Risk Level			Tolerance Risk Level		
			Likelihood	Impact	Risk Rating	Likelihood	Impact	Risk Rating
<p>CRR16: Leadership.</p> <p>If there is a lack of leadership or management skills then this could impact on performance and the ability to deliver positive change.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> Loss of experienced managers. New skills sets required to meet new challenges. Poor communication regarding change and new initiatives. Need to make savings / increase income. 	<p>A senior management restructure is almost complete which will bring permanency and stability for the leadership team.</p> <p>A new Leadership Framework sets out the leadership behaviours and qualities expected of our managers and aspiring managers. Applicants for senior leadership roles are tested against these qualities.</p> <p>An organisation-wide leadership development and engagement programme will support colleagues during the time of transition. The Leadership Framework will be rolled out to provide support to enable our staff to become confident and supportive leaders for our workforce.</p> <p>To promote a positive culture within the organisation, a set of organisation values and behaviours has been created in collaboration with staff focus groups; this will help set the tone of the organisation and assist, in conjunction with the Corporate Strategy priorities, in providing clarity of purpose. It will link directly through to a new performance framework that will provide clarity to staff about the expectations and how their work contributes to the success of the organisation. This will feature in the Workforce Plan which is currently being drafted.</p> <p>Learning and development is available to support staff to meet the expectations of the organisation.</p> <p>The Corporate Strategy and associated Business Plans will provide clarity on priorities and help our workforce focus its attention and resources on the areas that derive greatest results for our communities and residents.</p>	↑	2	5	10	1	5	5
Risk Owner: Head of Paid Service and CLB.	Action Owner: Head of Paid Service and CLB.	Portfolio Flag: Finance, Governance and Performance.			Strategy Theme: Our Organisation.			

Appendix A: Bristol City Council - Corporate Risk Register Report as at June 2018

Corporate Risk Register as at June 2018 - Risks to the achievement of Bristol City Councils Objectives.									
Risk title and description	What we have done	Performance	Current Risk Level			What we are doing	Tolerance Risk Level		
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Risk Rating
<p>CRR17: Bristol City Council Strategy Management.</p> <p>The council fails to produce or embed a Corporate Strategy with clear links through to business planning and performance management, resulting in less effective implementation of policy, use of resources and/or partnership working.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> Plans, policies, budget and/or resource not aligned to the Corporate Strategy. Significant changes in senior management roles and personnel results in lack of knowledge or a feeling of ownership in relation to the Corporate Strategy. 	<p>Full Council received and approved the Corporate Strategy 2018 - 2023 in February 2018.</p> <p>Cabinet received the BCC Business Plan 2018/19 to note in May 2018. This was based on key elements of Service Plans for every department.</p> <p>We have completed and approved the Performance Framework via Statutory and Policy Board in June 2018. The refreshed Performance Framework follows through the golden thread from Corporate Strategy through to KPIs and management information.</p> <p>Communications plan for embedding Corporate Strategy and Business Plans, including full briefing of all Tier 1 - 3 managers and inclusion in My Performance reviews for all colleagues.</p> <p>An ongoing review of the Medium Term Financial Plan (MTFP) and wider policy / strategy framework to check alignment with Corporate Strategy.</p>	<p>↑</p>	1	7	7	<p>We are rolling out the BCC Communications Plan throughout 2018/19 using many channels including face-to-face Management Brief sessions.</p> <p>The BCC policy and strategy framework will be reviewed in priority order with initial data collection complete. The nature of reviewing strategies across the council means it will be an ongoing process.</p> <p>My Performance reviews are being completed across the organisation and managers are briefed to link personal objectives to the outcomes set out in the Corporate Strategy and Business Plan.</p> <p>The Corporate Strategy is being explained to all new colleagues via the corporate induction process.</p> <p>The Statutory and Policy Board will receive quarterly reporting from Q2. 2018/19 on progress against the Performance Framework.</p> <p>A one-off 'good housekeeping' review of corporate partnerships is planned for Q2 2018/19, creating a refreshed database and reviewing partnership Terms of Reference and/or Service Level Agreements against the Corporate Strategy and emerging partnership governance model as part of the developing One City Approach.</p>	1	5	5
<p>Risk Owner: Section 151 Officer, Acting Executive Director Resources.</p>	<p>Action Owner: Acting Director: Policy and Strategy.</p>	<p>Portfolio Flag: Finance, Governance and Performance.</p>	<p>Strategy Theme: Our Organisation.</p>						

Key internal and external Business Continuity and Civil Contingency Risks to note - Flooding and Brexit.

Corporate Risk Register as at June 2018 - Internal and External Business Continuity and Civil Contingency Risks									
Risk title and description	What we have done	Performance	Current Risk Level			What we are doing	Tolerance Risk Level		
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Risk Rating
<p>Flooding.</p> <p>There could be a risk of damage to properties and infrastructure as well as risk to public safety from flooding which may be caused by a tidal surge, heavy rainfall and river and groundwater flood events.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> Tidal surge, heavy rainfall, river and groundwater flood events. Impact of climate change. Lack of effective flood defences and preparedness for major incidents. 	<p>The Avon and Somerset Local Resilience Forum (LRF) is a partnership of all the organisations needed to prepare for an emergency in the LRF area. It includes the emergency services, health services, Maritime and Coastal Agency, Environment Agency, volunteer agencies, utility companies, transport providers and the five councils of Bath and North East Somerset, Bristol, North Somerset, Somerset and South Gloucestershire.</p> <p>Bristol is working with the Avon and Somerset LRF to construct new sea defences around North Somerset, Bristol and South Gloucestershire, working with emergency services, local authorities and other agencies to develop flood response plans and procedures, investigating instances of flooding, training specialist staff in swift water rescue techniques, communicating with housing and business developers to incorporate flood protection into new developments, providing guidance to members of the public about flooding, including flood warnings and what people can do to help themselves, regular maintenance and clearing programs of gullies and culverts, especially in the event of storm warnings.</p> <p>Bristol has in place a local Flood Risk Management Strategy approved at Cabinet in December 2017 which comprises of 5 keys areas and 43 separate actions in line with Environment Agency's national strategy.</p>	↔	3	5	15	<p>There is sustained resourcing and delivery of all actions in LFRMS over life of strategy. Strategy includes the following key projects:</p> <ul style="list-style-type: none"> Working in partnership with the Environment Agency to develop a Bristol Tidal Flood Risk Management Strategy to protect the city centre, including climate change. Working in partnership with South Gloucester and the Environment Agency to deliver a flood scheme to help protect Avonmouth Village and the Enterprise Area from tidal flooding, including climate change. 	3	3	9
Risk Owner: Director Transport.	Action Owner: Flood Risk Engineer, Strategic City Transport.	Portfolio Flag: Energy, Waste and Regulatory Services.			Strategy Theme: Our Organisation, Empowering and Caring, Fair and Inclusive, Well Connected, Wellbeing.				

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Appendix A: Bristol City Council - Corporate Risk Register Report as at June 2018

Corporate Risk Register as at June 2018 - Internal and External Business Continuity and Civil Contingency Risks								
Risk title and description	What we have done	Performance	Current Risk Level			Tolerance Risk Level		
			Likelihood	Impact	Risk Rating	Likelihood	Impact	Risk Rating
<p>Brexit.</p> <p>The uncertainty around Brexit (and the resulting 'deal') may have an impact on the local economy, local funding and delivery of council services. The wider ramifications of the decision to leave the European Union are yet to be fully realised and felt in national and local economy. Whilst there will be some opportunities there is also uncertainty that may affect areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects.</p> <p>We may see a gradual slow down during period of uncertainty. A potential council impact (+/-) on: forward investment and EU funding which could reduce and could in turn impact on the council, the city's universities, LEP and the housing market, capital costs resulting from increased cost of labour which could slow business rates growth (Inflation risk is reflected within risk 2 and based on latest OBR predictions), workforce pressures e.g. social care providers, procurement costs, inflationary pressures caused by fluctuations in sterling value and potentially a loss of EU grants funding.</p> <p>Key potential causes are:</p> <ul style="list-style-type: none"> • Gradual slow down during period of uncertainty. • Workforce pressures e.g. social care providers. • Inflationary pressures caused by fluctuations in sterling value. • Loss of EU grant funding. 	<p>The wider ramifications of the decision to leave the European Union are yet to be fully realised and felt in national and local economy. Whilst there will be some opportunities there is also uncertainty that may affect areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects.</p> <p>The Mayor has in 2016 set up a city-wide response group to better understand the impacts of leaving the EU on our city which now operates virtually - with members updating us on sectoral impact and with the Public Affairs team we are working to ensure that Bristol's interests are represented in the Brexit negotiations, and that the city's voice is heard by UK Government. We have contributed to a national call for information by Government (handled by the Local Government Association (LGA)) seeking input on likely impact of Brexit in different regions. We have lobbied through the Core Cities network seeking clarity over how the Government plans to address the potential EU funding gap.</p>	↔	4	3	12	4	3	12
Risk Owner: Head of Paid Service, Executive Director ACE.	Action Owner: Acting Head of Policy and Public Affairs.		Portfolio Flag: Finance, Governance and Performance.			Strategy Theme: Our Organisation.		

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Appendix A: Bristol City Council - Corporate Risk Register Report as at June 2018

Corporate Risk Performance Summary for 'Significant Risks' and 'Event' Risks			Quarter 4 January – March 17/18		Quarter 1 April - June 18/19		Quarter 2 July - September 18/19		Quarter 3 October - December 18/19		Quarter 4 January - March 18/19	
Risk ID	Risk	Risk Owner	Rating	Travel	Rating	Travel	Rating	Travel	Rating	Travel	Rating	Travel
CRR1	Long Term Commercial Investments	Executive Director Growth and Regeneration and Section 151 Officer, Acting Executive Director Resources	4x7=28	↔	3x7=21	↑						
CRR2	IT Infrastructure	Interim Director IT	3x7=21	↔	3x7=21	↔						
CRR3	Asbestos Management	Section 151 Officer, Acting Director Resources	3x7=21	↔	3x7=21	↔						
CRR4	Corporate Health, Safety and Wellbeing	Section 151 Officer, Acting Director Resources	3x7=21	↔	3x7=21	↔						
CRR5	Business Continuity and Council Resilience (Split with CRR12)	Executive Director Communities	3x7=21	↔	3x7=21	↔						
CRR6	Fraud and Corruption	Section 151 Officer, Acting Director Resources	3x5=15	↔	3x5=15	↔						
CRR7	Cyber-attack threats and implications	Interim Director IT	3x5=15	↔	3x5=15	↔						
CRR8	Service Review	Section 151 Officer, Acting Director Resources	4x5=20	↔	3x5=15	↑						
CRR9	Safeguarding Vulnerable Children (Split with CRR10)	Executive Director Adults, Children and Education	2x7=14	↔	2x7=14	↔						
CRR10	Safeguarding Vulnerable Adults (Split with CRR9)	Executive Director Adults, Children and Education	2x7=14	↔	2x7=14	↔						
CRR11	BCC Infrastructure Delivery	Executive Director Growth and Regeneration	2x7=14	↔	2x7=14	↔						
CRR12	Civil Contingencies and Council Resilience (Split with CRR5)	Executive Director Communities	3x7=21	↔	2x7=14	↑						
CRR13	Financial Framework and MTFP	S151 Officer and Director of Finance	2x7=14	↔	2x5=10	↑						
CRR14	Information Governance Introduction of the General Data Protection Regulations (GDPR)	Senior Information Risk Owner (SIRO)	2x7=14	↔	2x5=10	↑						
CRR15	Financial Deficit	S151 Officer and Director of Finance	2x5=10	↔	2x5=10	↔						
CRR16	Leadership	Acting Head of Policy and Public Affairs	4x5=20	↔	2x5=10	↑						
CRR17	Strategy Management	Acting Director of Policy and Strategy	2x7=14	↔	1x7=7	↑						

Business Continuity and Civil Contingency Events Risks to note	Risk Owner	Rating	Travel								
Flooding	Executive Director Growth and Regeneration	3x5=15	↔	3x5=15	↔						
Brexit	Head of Paid Service	4x3=12	↔	4x3=12	↔						

Risk Matrix

Likelihood	4	4	12	20	28
	3	3	9	15	21
	2	2	6	10	14
	1	1	3	5	7
		1	3	5	7
	Impact				

Level of risk	Action required by level risk	
28	Critical:	Action required. Escalate (if a Directorate level risk, escalate to the Corporate Risk Register. Escalate corporate risks to the attention of the Cabinet Lead to confirm action to be taken).
14 - 21	High:	Must be addressed. If Directorate level consider escalating to the Corporate Risk Register. If a corporate risk consider escalating to the Cabinet Lead.
5 - 12	Medium:	Action required, manage and monitor at the Directorate level.
1 - 4	Low:	May not need any further action / monitor at the service level.

Current and Tolerance risk ratings:

The 'Current' risk rating refers to the current level of risk taking into account any management actions, controls and fall back plans already in place. The 'Tolerance' rating represents what is deemed to be a realistic level of risk to be achieved once additional actions have been put in place. On some occasions the aim will be to contain the level of the risk at the current level.

Appendix A: Bristol City Council - Corporate Risk Register Report as at June 2018

LIKELIHOOD AND IMPACT RISK RATING SCORING

Likelihood Guidance

Likelihood	Likelihood Ratings 1 to 4			
	1	2	3	4
Description	Might happen on rare occasions.	Will possibly happen, possibly on several occasions.	Will probably happen, possibly at regular intervals.	Likely to happen, possibly frequently.
Numerical Likelihood	Less than 10%	Less than 50%	50% or more	75% or more

Severity of Impact Guidance (Risk to be assessed against all of the Categories, and the highest score used in the matrix).

Impact Category	Impact Levels 1 to 7			
	1	3	5	7
Service provision	Very limited effect (positive or negative) on service provision. Impact can be managed within normal working arrangements.	Noticeable and significant effect (positive or negative) on service provision. Effect may require some additional resource, but manageable in a reasonable time frame.	Severe effect on service provision or a Corporate Strategic Plan priority area. Effect may require considerable additional resource but will not require a major strategy change.	Extremely severe service disruption. Significant customer opposition. Legal action. Effect could not be managed within a reasonable time frame or by a short term allocation of resources, and may require major strategy changes. The Council risks 'special measures'. Officer / Member forced to resign.
Communities	Minimal impact on community.	Noticeable (positive or negative) impact on the community or a more manageable impact on a smaller number of vulnerable groups / individuals which is not likely to last more than six months.	A more severe but manageable impact (positive or negative) on a significant number of vulnerable groups / individuals which is not likely to last more than twelve months.	A lasting and noticeable impact on a significant number of vulnerable groups / individuals.
Environmental	No effect (positive or negative) on the natural and built environment.	Short term effect (positive or negative) on the natural and or built environment.	Serious local discharge of pollutant or source of community annoyance that requires remedial action.	Lasting effect on the natural and or built environment.
Financial Loss / Gain	Under £0.5m	Between £0.5m - £3m	Between £3m - £5m	More than £5m
Fraud & Corruption Loss	Under £50k	Between £50k - £100k	Between £100k - £1m	More than £1m
Legal	No significant legal implications or action is anticipated.	Tribunal / BCC legal team involvement required (potential for claim).	Criminal prosecution anticipated and / or civil litigation.	Criminal prosecution anticipated and or civil litigation (> 1 person).
Personal Safety	Minor injury to citizens or colleagues.	Significant injury or ill health of citizens or colleagues causing short-term disability / absence from work.	Major injury or ill health of citizens or colleagues may result in. long term disability / absence from work.	Death of citizen(s) or colleague(s). Significant long-term disability / absence from work.
Programme / Project Management (Including developing commercial enterprises)	Minor delays and/or budget overspend, but can be brought back on schedule with this project stage. No threat to delivery of the project on time and to budget and no threat to identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones, and/or budget overspends. No threat to overall delivery of the project and the identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones; and/or major budget overspends. Major threat to delivery of the project on time and to budget, and achievement of one or more benefits / outcomes.	Significant issues threaten delivery of the entire project. Could lead to project being cancelled or put on hold.
Reputation	Minimal and transient loss of public or partner trust. Contained within the individual service.	Significant public or partner interest although limited potential for enhancement of, or damage to, reputation. Dissatisfaction reported through council complaints procedure but contained within the council. Local MP involvement. Some local media/social media interest.	Serious potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Dissatisfaction regularly reported through council complaints procedure. Higher levels of local or national interest. Higher levels of local media / social media interest.	Highly significant potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Intense local, national and potentially international media attention. Viral social media or online pick-up. Public enquiry or poor external assessor report.

Audit Committee

26 July 2018



Report of: Director of Legal & Democratic Services (Monitoring Officer)

Title: Updated Audit Committee terms of reference and establishment of a Values & Ethics Sub-Committee

Ward: Citywide

Officer presenting report: Nancy Rollason, Deputy Monitoring Officer & Head of Legal Service

Recommendation

That the committee:

- i) Notes the updated terms of reference, approved by Full Council on 17 July 2018, for the Audit Committee including the requirement for the Committee to establish a sub-committee called the Values and Ethics Sub-committee
- ii) Resolves to establish a Values & Ethics Sub-Committee, in line with the above Full Council decision and request Democratic Services in consultation with the Chair and Vice Chair of the Audit Committee and the Monitoring Officer, to explore potential dates for an inaugural meeting.

Summary

An Audit Committee training workshop in July 2017 highlighted that the effectiveness of the Audit Committee could be enhanced by a fundamental review of its terms of reference.

This revision of the terms of reference was based upon best practice and the CIPFA Guidance on Audit Committees. Full Council has approved the revised terms of reference.

At the Audit Committee meeting on the 2nd May 2018 the Committee proposed that rather than establish a separate Values and Ethics committee, this could be a Sub-committee of the Audit committee. This has been approved by Full Council together with Terms of reference for the sub-committee.

The significant issues in the report are:

- To note the more effective terms of reference for the Audit Committee, and the terms of reference of the Values and Ethics sub-committee.
- To note that the terms of reference provide for the Audit Committee to establish a Values & Ethics

Policy

The Audit Committee is a key component of the Council's governance framework. Its function is to provide an independent and high level resource to support good governance and effective public financial management.

The purpose of an Audit Committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and financial and non financial governance processes.

Establishing a Values & Ethics Sub-Committee to take over some of the functions previously undertaken by the Audit committee will support the Authority's duty under to promote and sustain high standards of conduct.

Consultation

- 1. Internal**
Deputy Mayor, Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer, Party Group Leaders
- 2. External**
Not applicable.

Context

- 3.** The Audit Committee, at its meetings on 25 January and 2 May 2018 gave detailed consideration to proposals to revise its terms of reference. It also considered the proposed changes to the Constitution including establishing a Values and Ethics Committee. The Audit committee comment on the proposed changes was that rather than have a separate committee, a Value and Ethics sub-committee of the Audit committee be established. This was considered and accepted by Full Council at its Annual General Meeting on the 22nd May.
- 4.** The updated terms of reference are set out at Appendix A. The updated terms of reference group responsibilities into distinct headings for greater clarity, namely Audit Activity, Regulatory Framework, Accounts, Risk Management and Accountability Arrangements, and also includes terms of reference for a Values and Ethics sub-Committee. Full Council has approved these updated terms of reference.
- 5.** The report to Full Council included the requirement that the Audit Committee establish a Values & Ethics Sub-Committee for the purposes of overseeing the arrangements for promoting high ethical standards within the council and for oversight of the process for dealing with complaints against members under the code of conduct; this may include recommending, to Full Council, changes to the processes where that is felt to be appropriate.

Proposal

6. That the committee note the updated terms of reference and agree to establish a Values & Ethics Sub-Committee as per the details set out in Appendix A. It is envisaged that the committee will meet initially on an “as and when required” basis.

Other Options Considered

7. None necessary.

Risk Assessment

8. The need to independently review the risk, governance and control framework environment is pivotal to the effective operations of the Council’s functions.

Failure to maintain and, where required, improve this environment will not only impact on the proper practices of the Council, but will also be in breach of the Accounts and Audit Regulations 2015 and may attract an adverse opinion from the External Auditor.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and

- promote understanding.

8b) No equality impact anticipated from this report.

Legal and Resource Implications

Legal implications:

The new terms of reference for the Audit Committee support the Local Authority's Best Value duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Local Government Act 1999 as amended)

The proposal to establish a Values and Ethics Sub-committee is lawful and assists the Council to comply with duties under The Localism Act 2011 to promote and maintain high standards of conduct by members and co-opted members of the Authority, including the duty to make arrangements to ensure that there is a process in place to investigate and make decisions in respect of allegations against members.

Nancy Rollason
Head of Legal Service 16th July 2018

Financial:

(a) Revenue

Not applicable.

(b) Capital

Not applicable.

Land/Property

Not applicable.

Human Resources

Not applicable.

Appendices:

Appendix A – Updated terms of reference for the Audit Committee, including terms of reference for the Values & Ethics Sub-Committee

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

"Audit Committees – Practical Guidance for Local Authorities and Police" – CIPFA 2013

Appendix A - Terms of Reference for the Audit Committee and Values & Ethics Sub-Committee

Composition of the Committee

The Audit Committee comprises seven members of the Council and up to two independent members. The independent members are appointed by the committee. The Chair and Vice-Chair of the committee shall be confirmed by the Audit Committee as per committee procedure rules. A minimum of three councillor members of the Audit Committee will be present for the meeting to be deemed quorate.

The Committee may not appoint any person as an independent member who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically-restricted post within the Council. Independent membership may only be made if the person has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least five times a year and will maintain the technical capability to discharge the Audit Committee responsibilities of the Council. The Chair of the Committee may convene additional meetings, as deemed necessary.

The Audit Committee may hold separate meetings with External / Internal Auditors without officer or executive representation. The Committee should hold at least one such meeting annually with External and Internal Auditors.

Objectives or Purpose

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects governance, the authority's exposure to risk and weakness of the control environment, and to oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status and authority of the Internal Audit function and to demonstrate its independence.
- To contribute towards making the authority, its committees and departments more responsive to the audit function.

- To review compliance with the relevant standards, codes of practice and corporate governance policies of the Council.

1. Audit Activity

- 1.1 To approve the Internal Audit Charter and Strategy and monitor its progress.
- 1.2 To approve the Internal Audit annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations.
- 1.3 To suggest work for Internal and External Audit.
- 1.4 To consider the Annual Report and opinion of the Head of Internal Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements prior to approving the Annual Accounts.
- 1.5 To oversee and provide assurance to the Council on the provision of an effective internal audit service and consider the main issues arising from summary Internal Audit reports, and seek assurance that action has been taken where necessary, particularly in areas of high risk.
- 1.6 To consider reports dealing with the management and performance of the Internal Audit function, including the external peer review and reports on the results of the Quality Assurance and Improvement Programme in order to gain assurance on the effectiveness of the Internal Audit function.
- 1.7 To monitor the implementation of agreed actions within reasonable timescales.
- 1.8 To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports to those charged with governance in the process for the approval of the Annual Accounts.
- 1.9 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales.
- 1.10 To comment on the scope and depth of the external audit work and to ensure it gives value for money.
- 1.11 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor.
- 1.12 To consider the reports of inspection agencies relevant to the Council.

- 1.13 To undertake an annual review of the effectiveness of the system of Internal Audit.
- 1.14 To oversee the appointment / dismissal of the Chief Internal Auditor.

2. Regulatory Framework

- 2.1 To receive assurance reports on the effectiveness of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct and behaviour.
- 2.2 To review any issue referred to it by the Head of Paid Service or Executive Director or any Committee of the Council.
- 2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council.
- 2.4 To monitor Council policies on whistleblowing and anti-fraud and anti-corruption policies, including the Council's complaints process.
- 2.5 To review the Council's Annual Governance Statement prior to approval, considering whether it properly reflects the risk environment and supporting assurances, and recommend its adoption for publication with the annual accounts, together with associated plans for addressing areas of improvement and advising the Council as appropriate.
- 2.6 To review the arrangements for corporate governance, including the Code of Corporate Governance, to agree necessary actions to ensure compliance with best practice and to recommend to Full Council as appropriate.
- 2.7 To review the Council's framework of assurance, for example Assurance maps, and ensure that it adequately addresses the risks and priorities of the Council.
- 2.8 To review the Council's compliance with its own and published national standards and controls.
- 2.9 To review assurances and assessments on the effectiveness of the Council's arrangements to secure value for money.
- 2.10 To review the assessment of fraud risk and potential harm to the Council from fraud and corruption and to monitor the use of resources to address fraud risk.
- 2.11 To report as appropriate to Full Council on issues which require their attention or further action.

3 Accounts

- 3.1 To approve the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 3.2 To consider, in the context of approving the Accounts, the External Auditor's report to those charged with the governance issues arising from the audit of the accounts.
- 3.3 To review the Council's Treasury Management Strategy and policies, and make recommendations to Full Council for approval.

4. Risk Management

- 4.1 To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Policy and the Corporate Risk Register.
- 4.2 To provide assurance to the Council, in the Committee's Annual Report, on the effectiveness of risk management arrangements in place.
- 4.3 To seek assurances that action is being taken on risk-related issues.
- 4.4 To be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

5. Accountability Arrangements

- 5.1 To report to Full Council on an annual basis on assurances received, significant control issues, the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

Values and Ethics

The Audit Committee shall appoint a Values and Ethics Sub-Committee

Composition of Values and Ethics Sub-Committee

4 Elected members of the Audit Committee (one from each political group represented on the committee), and one independent member, chaired by an independent member.

Terms of Reference for Value & Ethics Sub-Committee

To deal with all matters relating to the ethical framework affecting members of the Council under Part 1 Chapter 7 Localism Act 2011 as amended and all other relevant legislation including regulations, directions and guidance. This shall include, but not be limited to:-

- 1) The promotion of the highest standards of behaviour by members of the Council, including the Mayor, councillors, independent members and co-optees
- 2) Advising the Council on the adoption and operation of the Member Code of Conduct, making recommendations for change as the Committee sees fit.
- 3) Training all members in the operation of the Member Code of Conduct and ensuring it is well publicised both within and outside the Council.
- 4) The adoption, implementation and maintenance of a procedure for dealing with allegations of breach of the Member Code of Conduct; including monitoring and review and amending it from time to time as the Committee sees fit.
- 5) Dealing with allegations of Breach of the Member Code of Conduct, where these are referred to them by the Monitoring Officer, and the imposition of sanctions as appropriate in accordance with the law, the Council's Constitution and relevant procedures adopted by the Council.
- 6) Consideration of applications for dispensation to allow members to participate in consideration of matters in which they would, but for a dispensation, not be able to participate, in circumstances permitted by law.
- 7) To adjudicate on any dispute relating to the payment of Members' Allowances or expenses under the Members' Allowances scheme in force from time to time.
- 8) To review the Council's use of the powers available to it under the Regulation of Investigatory Powers Act 2000
- 9) Conferring of Alderman/Alderwoman status and the criteria for such awards

- 10) To lead on member development and enhance the role of members as city leaders and community councillors
- 11) To review compliance of the Mayor and Councillors in terms of mandatory training
- 12) To have oversight of the Register of Members' Interests.
- 13) All things necessary or in the opinion of the Committee appropriate to fulfil the role and remit of a Values and Ethics Committee as defined by law or the Council's constitution.

Audit Committee

26th July 18



Report of: Shareholder Liaison Director.

Title: Audit Committee Programmes relating to the Bristol City Council wholly owned companies.

Ward: Citywide

Officer Presenting Report: Shareholder Liaison Director

Recommendation: As a part of the annual programme of work the Bristol City Council Audit Committee should consider the following items as its oversight of the Company's audit programmes:

1. **Annual Accounts (within the context of the overall Council audit)**
2. **Annual Governance Statement (which is within your responsibilities)**
3. A consolidated version of the Company's Annual Audit Programme (prepared by each of the company's audit committees)
4. A six month update on progress with the Annual Audit Programme.

(Items in bold are already seen by the Audit Committee).

The significant issues in the report are:

The role of the company's own audit committees in identifying the risks the companies face and thus the appropriate audit programme.

The role of the 'Shareholder Group', chaired by Councillor Cheney, in ensuring that the programmes of activity identified by the company's audit committee are delivered in a timely manner and that the second tier of documents, that contribute to an holistic audit process, are appropriately considered.

Noting the documents to be submitted to the BCC Audit Committee in order that a proper level of oversight is achieved.



Policy

1. The Council has insisted that the Directors of the wholly owned Companies adhere to the UK Corporate Governance Code – which identifies the role, responsibilities and scope of company audit committees.
2. The Companies carry out statutory and discretionary services on behalf of the Council and play a role in meeting the Corporate Strategy objectives and the Business Plan Targets.

Consultation

3. Internal

- Bristol City Council Shareholders Group – Chaired by Cllr Cheney.
- Legal Services

4. External

- Bristol City Council Company Audit Committee Chairs & Company Boards.

5. Context

1. This briefing provides an update on the Bristol City Council companies' audit arrangements.
2. The Council is the single Shareholder in Bristol Holding Company, Bristol Energy and Bristol Waste Companies. The Shareholder is aware that adequate audit arrangements need to be put in place at the company level, and that the Shareholder needs to have oversight of how this is done, and ongoing oversight of the implementation of such arrangements.
3. The Shareholder is keen to ensure that arrangements could be replicated if the portfolio was extended in the future.
4. There are two aspects that need to be discussed and clarified for this purpose: the functions of the various audit bodies at 'Council' level and at 'Company' level (**Audit Functions**); and the relationship between these various audit bodies (**Audit Relationships**).

Audit Functions

5. We have set out below the various audit bodies and what their functions will be. This is subject to change following further discussion of the Audit Relationships.

A. Each Companies' Audit Committee

- Develop and approve annual audit plan.
- Initiate audits, specify and brief auditors.
- Consider the outcome and the need for additional work.
- Review external audits and meet with the auditors to discuss any issues raised.
- Report to their Company Board.

B. The Shareholder Group. (meets monthly and represents the Shareholder's interests with the addition of 2 Independent Shareholder Advisors – expert in Company Governance).

- View the annual audit plans agreed by the Company Boards.
- Approval of the appointment of an auditor (for the accounts)
- Make recommendations to ensure consistency and spread good practise across the companies
- Consider the 'Board Effectiveness Reviews' prepared by Boards and Audit Committee and external contributors.
- By exception, consider a selection of audit reports (possibly in summary form).

C. Bristol City Council's Audit Committee

- Review the consolidated Annual Audit Plans for the Group of Companies.
- Consider sampling the audit reports (in detail or in summary) by reference to the Company's Audit Committees.
- By exception, initiate audits (utilising the Council's audit team) to investigate areas of specific concern or issues that may arise due to the nature of the interface between the Council and the Companies.
- By exception / rotation request a meeting with representatives of a Company's Audit Committee as part of the annual 'Review of Effectiveness'.

D. Bristol City Council Audit Team

- Provide audit services, on a charge-back basis, to the companies' audit committees.
- Support Bristol City Council's Audit Committee in its functions, including preparing the Annual Assurance Statement.¹

Audit Relationships

6. The relationships between each of the Audit Functions (for example, whether the Council's Audit Committee has the remit to raise issues with the companies' audit committees directly, or whether it must only do so on the instruction of the Shareholder Group) need to be considered further.

7. In addition, as some of the proposed Audit Functions fall to two or more audit bodies (for example review of the annual plan), it is important to ascertain how the review will be divided between them, to avoid duplication of work.

The Shareholder is currently engaging with the companies on the Terms of Reference of their audit committees. This, in order to ensure they are appropriate to the industry sector the company is operating within. This is an ongoing discussion which ensures that revisions are made as/when necessary.

¹ The Annual Assurance Statement will require each company to provide certain information to the Bristol City Council Audit Team, which will feed into the Bristol City Council Annual Assurance Statement in respect of all of the Council's activities.

6. Proposal

The Bristol City Council Audit Committee should consider:

1. **Annual Accounts (within the context of the overall Council audit)**
2. **Annual Governance Statement (which is within your responsibilities)**
3. A consolidated version of the Company's Annual Audit Programme (prepared by each of the company's audit committees)
4. A six month update on progress with the Annual Audit Programme.

(Items in bold are already seen by the Audit Committee).

In addition to the above a number of other processes will be undertaken by the Company Boards that will be reviewed by the '**Shareholder Group**' – Chaired by Cllr Cheney.

5. Board Effectiveness Reviews
6. Audit Committee Effectiveness Reviews
7. Companies Annual Financial Audit and process reviews (auditors report)
8. Annual Business Planning cycle
9. Performance Reports.

Items 5-9 are included here only for the purposes of demonstrating the holistic nature of the audit process.

A handbook for the companies that include requirement for all of the above to be prepared and submitted as well as an annual calendar to ensure each of the documents is prepared and submitted in a timely manner on an annual basis (so that the appropriate level of resources can be allocated to the tasks by the company's management teams).

Other Options Considered

7. None

Risk Assessment

8. The UK Code of Corporate Governance place emphasis upon the role of the Companies Audit Committees. The Companies Acts 2006 place specific responsibilities upon the Directors of the Companies that they cannot avoid.

9. The Council has established processes for examining, on a monthly basis, the delivery of services and the monitoring of financial performance to predetermined plans which are reviewed in detail before the beginning of each financial year.

10. Within the context of all of the Governance activity the role of the BCC Audit needs to be determined to avoid duplication and the dissipation of a limited resource.

Public Sector Equality Duties

11a) Before making a decision, section 149 Equality Act 2010 requires that each decision-

maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

11b) No equality impact has been considered as the terms of this paper are dictated by the Companies Acts, the UK Code of Corporate Governance and the Councils responsibilities within the Accounts and Audit Regulations 2015,

Legal and Resource

Legal

The Shareholder Agreement (and the Company Articles) require the companies to establish audit committees. In addition the Shareholder Agreement entitles the Shareholder and the Councils Audit Committee, to take such action or provide such information or documentation as the shareholder determines. This includes copies of minutes, reports etc. In addition the Shareholder Agreement entitles the shareholder to access to a wide range of other financial and related documentation relating to the companies. Accordingly, the information identified in the report recommendations should be readily available to the Audit Committee.

Legal advice provided by Eric Andrews

(a) Revenue
N/A

Human Resources

Not applicable

Appendices:

None

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers:**

N/A



Audit Committee

29th March 2018

Report of: Shahzia Daya, Service Director Legal and Democratic Services and SIRO

Title: Update on the General Data Protection Regulation (GDPR) readiness

Ward: City Wide

Officer Presenting Report: Quentin Baker, Interim Director Legal and Democratic Services

Recommendation

To note steps taken to implement the General Data Protection Regulations

Summary

The Council's has completed preparations for the new data protection rules that came into effect on 25 May 2018 and the current project is being formally closed. An outline business case has been developed with options for how this can be further developed and embedded into the organisation so that good data protection practices can be maintained going forward.

The significant issues in the report are:

No significant issues



Policy

1. Compliance with legislation is a statutory requirement. Good data protection also maintains public confidence and supports partnership working.

Consultation

2. **Internal**
Deputy Mayor and Cabinet member for Finance, Governance & Performance
3. **External**
Not applicable to this report

Context

4. The General Data Protection Regulation (GDPR) came into effect across the EU on 25 May.
5. A project board was established in Nov 2017 worked hard (meeting weekly from February 2018) to deliver the essential elements of compliance required by that date. That project deliverables have now been completed and it is in the process of being formally closed. What has been delivered is:
 - Colleagues who routinely access ICT systems have been trained in the new data protection rules according to their job role those who do not routinely access ICT systems have received a briefing;
 - An audit of all personal data held by the council has been completed and documented in a record of processing activity, or ROPA, for each service;
 - Privacy notices have been published on the Council's web site for each service, informing service users how their data will be used and their rights. Over 150 new notices have been published on the council's web site;
 - Agreements with partners have been reviewed where personal data is shared;
 - Consents have been reviewed and refreshed where necessary to GDPR standards where this is relied on a legal basis for processing;
 - New centralised processes are in place for handling Subject Access Requests and Data Breaches;
 - A new requirement has been introduced to carry out a Privacy Impact Assessment as part of the change business case and decision making process;
 - The data retention schedule has been refreshed and processes put in place to implement this;
 - 1,200 supplier contracts have been updated to include GDPR specific clauses, targeting the highest risk contracts as a priority;
 - The role of statutory data protection officer, which is a mandatory requirement for Public Authorities under the regulation, has been assigned to the Monitoring Officer;
 - The data protection policy has been updated to reflect GDPR requirements;
 - Support has been provided to the Bristol companies, Councillors and Schools.
6. Under GDPR organisations are required to ensure that they are able to demonstrate their compliance on an ongoing basis. While the Council has put in place the key building blocks for

the 25 May, further work is needed to embed GDPR into the organisation so that compliance can be maintained in the years ahead. In practice that means:

- Having a plan in place for training people joining the organisation and refreshing knowledge of a periodic basis, according to their job role
- Clarifying job roles and responsibilities for maintaining compliance and key documentation
- Updating the remaining supplier contracts
- Ensuring ICT systems meet GDPR requirements
- Processes for handling other types of request such as the right to be forgotten

Other Options Considered

7. There are options for concluding this work and an outline business case (OBC) has been developed to seek agreement on the way forward.
8. The option recommended by the project board and endorsed by the Statutory Data Protection Officer is to set up a 'phase 2' project that will complete the activities listed above and build the necessary structures in order to hand the project over to business as usual in a controlled manner.

Risk Assessment

9. GDPR was identified as a high-rated risk. The actions taken have now significantly reduced the current level of risk. The likelihood of issues arising has been greatly reduced, although the potential impact remains the same. GDPR is now a 'medium' rated risk.
10. Maintaining compliance is key to continuing to mitigate this risk in the years ahead. The outline business case assesses the organisations data protection risk tolerance and evaluates each option to identify the extent to which the ongoing risk will be mitigated.

Public Sector Equality Duties

11. The project board considers the requirements of the Equalities Act duties when considering implementation of the GDPR legislation and embedding best practice

Legal and Resource Implications

Legal

Legal advice provided by Shahzia Daya, Service Director of Legal and Democratic Services

Financial

(a) Revenue

(b) Capital

Financial advice provided by Kevin Lock, Finance Manager

Land/Property

Not applicable

Human Resources

HR advice provided by Mark Williams, Head of Human Resources 14 March 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted