



BRISTOL CITY COUNCIL

AUDIT COMMITTEE

Half Year Report to Full Council 2024-25

1. Introduction and Context:

- 1.1 The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework, internal control environment and the integrity of the financial reporting and annual governance processes. It is the primary means by which Full Council obtains assurance that governance, risk management and control systems are in place and effective. The Audit Committee's responsibilities are additional and supportive to those of the Section 151 Officer.
- 1.2 The Value and Ethics Committee is a sub-committee of the Audit Committee set up to deal with matters relating to the ethical framework affecting Members of the council, their behaviour and compliance with the Member Code of Conduct.
- 1.3 This report provides details of the Committee's and sub-committee's work this year to date and provides early highlights to Full Council of key issues that require monitoring by or support from the Committee to engender improvements to the internal control, governance and risk management arrangements across the Council.
- 1.4 The Audit Committee produces this report in accordance with good practice. However, given the unavoidable duplication between half yearly and annual reporting, it would be possible to omit the Half Year Report if this were to save time and resources. The Committee will consider this in subsequent discussions of its workplan.

2. Key Issues

- 2.1 A variety of matters have been considered by the Committee this year to date and details of all the reports considered are provided in Appendix 1. Some of the key messages arising from this work to date are summarised below:

Governance:

- 2.2 The details of how the Council ensures effective governance are set out in the Council's own Code of Corporate Governance (Code). The Code was updated in September 2024 to reflect the change in the Council's governance model from the previous mayoral system to a committee system. The Audit Committee considered the revised Code and recommended it for approval by Full Council.
- 2.3 The Committee contributed to the review of the Council's 2023/24 Annual Governance Statement (AGS) to ensure it was reflective of the organisation's governance, risk management and internal control arrangements and identifies actions to improve where appropriate. The AGS concluded that the Council's governance arrangements are generally working as expected but noted that the Chief Internal Auditor was only able to provide a 'limited assurance' opinion on the control, risk management and governance arrangements in place. The statement which was approved by the Committee as part of the Statement of Accounts 2023/24 included an update on significant governance issues from the previous year and new issues identified in the reporting period. Progress against improvement in these areas will continue to be monitored by the Committee. A report to the effect will be presented to the Committee in March 2025. The following sections provide a summary of the significant governance issues reported in the 2023/24 AGS.

Issues from 2021/22 and 2022/23

- **Dedicated Schools Grant (DSG).** The in-year forecast deficit on the DSG is significant which when considered cumulatively with brought forward balances meant that the DSG was carrying a deficit of £58.6m at the end of March 2024. The Council has a DSG

Deficit Management plan and in March 2024 entered into an agreement with the Department for Education to receive funding to deliver plans that will support improved outcomes for children and young people in a financially sustainable way.

- **Procurement Breaches.** The high number of breaches of the Council's procurement rules remained a concern. The majority of non-compliance related to extending or entering into new contracts without first seeking the required sign offs or direct awarding when the Council's internal procurement rules require competition. When the procurement rules are breached, there is an increased risk of failure to achieve best value and to meet key service objectives. The Audit Committee have continued to monitor the situation through 2024/25. In quarter 1 of 2024/25, the Committee noted improvements in compliance levels and noted that these needed to be further improved and sustained. The Committee noted continued improvements in procurement throughout 2024/25 which overall represent a reduction of over 90% in the procurement non-compliance rate over the past two years. The Committee would like to note its thanks to those officers who have worked extremely hard to bring this situation about.
- **Savings.** The Council continues to face challenges in delivering required savings delivering only 67% of those planned for 2023/24 on a recurrent basis. The in-year shortfall of £12m carries forward to 2024/25 to bring net in-year savings required to £36m in 2024/25.
- **Childrens Services.** The services operate in a complex environment with increased demand, insufficient supported housing or children's home provision, recruitment and retention challenges and savings not delivered. This resulted in continued financial pressures and significant overspends by the service.

New issues from 2023/24

- **Planning Service.** The service had been operating in a severe backlog situation over a number of years. In March 2024, the Secretary of State designated the service for untimely decision making on non-major developments which gave applicants an alternative to apply directly to the Planning Inspectorate. Improvement plans have been developed and improvement is being monitored by senior management.
- **Barton House.** Visibility, timeliness and governance around highly technical reports used in making key decisions needed improvement. The Committee sought assurance on the speed and transparency of decision making, and how this was communicated to residents.
- **Social Housing.** The legislative and regulatory environment for the social housing sector has undergone significant change over recent years. An external review of the Council's readiness to comply with the Regulator of Social Housing's new Consumer Standards from April 2024 highlighted improvements required to comply with these standards and the Building Safety Act 2022.
- **Adult Social Care.** High waiting lists and long wait times for statutory activities under the Care Act 2014 had resulted from difficulties with recruitment, retention and wellbeing of social work staff. A service delivery context of increased demand and inflationary pressures presented budgetary challenges and an LGA peer review in December 2023 supported lessons learned in respect of continuous improvement planning and case-tracking methodology.

2.4 The Committee considered assurance reports from each of the Council's companies own Audit Committee Chairs noting that detailed risk and assurance frameworks have been

established in each company.

Control Environment:

- 2.5 The Chief Internal Auditor provided 'Limited Assurance' that in 2023/24 the Council's systems of internal control, governance and risk management were adequate and operating effectively. This reflects a deterioration in assurance from previous years and was based on an increased number of internal audit reviews (including at council-maintained schools) with limited or no assurance opinions. In addition, the opinion considered the significant issues noted above, the level of improvements recognised as required via formal transformation programmes and the need to embed the processes for implementing agreed improvement actions into performance and other management activities. In giving this opinion, the Chief Internal Auditor identified a number of areas as requiring improvement. A core part of the Committee's work will include monitoring improvements in these areas. The Committee received assurance that management are taking appropriate measures to improve this opinion in future reporting periods.
- 2.6 Where the Chief Internal Auditor provides a limited or no assurance opinion, the Committee receives detailed updates from management about actions to improve control arrangements. Although reports of 'no assurance' are rare, they are not unknown (see report on Imprest Account Management received in July 2024) and is something that the Audit Committee takes extremely seriously and expects to see vigorous action being taken. Additionally, the implementation of agreed management actions is monitored by the Committee through quarterly reports. At the half year point, performance in implementing actions is showing deterioration and is below target. Prioritisation and timely updating the audit management software used for tracking actions are key priorities for managers in improving the performance in this area.
- 2.7 Counter fraud work continues to generate significant savings and other benefits for the Council including recovery of housing properties for relet to people with a genuine need. Fraud risks are understood and mitigated by a programme of fraud prevention activities. Where fraud occurs, it is investigated with appropriate action taken against offenders. The team prioritise whistleblowing referrals and improving arrangements to encourage people to report concerns. The Committee receives summaries of outcomes from fraud activities twice yearly.

Risk Management:

- 2.8 The Committee continues to monitor the development and maturity of the Council's risk management arrangements and has been provided with a report of developments and improvement made or being made. The Chief Internal Auditor reviews the arrangements annually and in 2023/24 concluded 'reasonable assurance' that risk management processes are in place and working effectively.
- 2.9 The Committee have regular oversight of the Corporate Risk Register (CRR) via the Quarterly Risk Report and where necessary requests detailed briefings from management on how specific risks are being managed. A detailed briefing on the actions being taken to mitigate CRR55 (Risk of children placed in unregistered provision which is unlawful) has been received by the Committee from the Director of Children and Families. The Committee received updates of actions being taken to mitigate risks in this area.

Financial Statements:

- 2.10 In November 2024, the Committee formally approved the 2023/24 Statement of Accounts and the Council's External Auditor has provided an unqualified opinion on these financial statements.

Value for Money:

- 2.11 The Bristol Beacon Programme experienced delays and cost over-runs. An independent review of lessons to be learned from this was commissioned by the Council and the Audit Committee has received a briefing on the findings from that review and a separate briefing on actions taken by the Council to improve governance and control relating to the Capital portfolio delivery resulting from the lessons learned.
- 2.12 The External Auditor issued their Interim Auditor's Annual Report for the year ended 31st March 2024. This report identifies significant weaknesses in relation to financial sustainability and improving economy, efficiency and effectiveness.
- 2.13 In relation to financial sustainability, the External Auditor reported that the Council is not yet effectively containing expenditure within its demand led services. It needs to act to both contain spend and deliver savings with focus on Adult Social Care and Children's Services to ensure the transformation programmes in these areas deliver as planned. In addition, the Auditor reported the DSG position had deteriorated and recommended that the plan to manage this is delivered as planned and at pace. The Committee highlighted the importance of the demand pressures themselves, as well as efforts being taken to contain spend, and noted that in certain circumstances it was impossible to limit spending within planned budgets if the level of demand continued to exceed anticipated levels, especially where this demand was increasing.
- 2.14 In terms of economy, efficiency and effectiveness, the External Auditor identified three significant weaknesses; the need to address the failings raised by the Social Housing Regulator, the backlog in non-major planning applications and the number and value of contract breaches. Other recommended areas for improvement included i) reporting to members on the improvement plan which addressed lessons learned and how the current operating model of the Bristol Beacon delivers value and ii) ensuring that Councillors declare their interests as they arise. The Committee received representations about a particular commissioned service ('Stepping Up'), which the External Auditor had reviewed following correspondence from a Bristol resident. The Committee discussed the findings and sought further assurances. Following an informal meeting, the Committee identified additional questions for review which, at the time of writing, are outstanding.

3. Looking Forward

- 3.1 Key work priorities for the remainder of the year centre around supporting improvement to the control, risk management and governance arrangements at the Council generally with focus on the areas of weakness identified in this report. In addition, the Committee is closely monitoring the outcome of debt management processes and efforts to reduce the level of debt.
- 3.2 Following the May 2024 local elections, membership of the Audit Committee changed and new Members have undergone a programme of induction to support them into their role on the Audit Committee. In September 2024, a workshop was undertaken by the Committee to reflect on the effectiveness of the Committee's operations and improvement actions identified. A fuller review of effectiveness of the Committee is planned for later in the year

which is in line with best practice.

- 3.4 The Audit Committee is supported by two independent members who bring professional audit expertise and objective challenge in support of the Committee's work. The tenure for the current independent members is coming to an end and work is in progress to recruit new independent members to fulfil this important role.
- 3.5 From April 2025, new Global Internal Audit Standards become effective. The Committee will be reviewing arrangements and supporting the Internal Audit team to ensure they are well placed to comply.

4. Acknowledgements

- 4.1 At the start of the municipal year, the Committee was chaired by Councillor Tim Rippington but due to his other Council commitments, from January 2025 the Committee will be chaired by Councillor Rob Logon. The Committee would like to note its thanks to Councillor Rippington for his leadership during the first part of the year.
- 4.2 The Audit Committee would also like to extend its continued thanks and appreciation to all the officers who have contributed reports and responded to questions from committee members. This enables the Committee to carry out its vital role in ensuring governance, risk management and internal control are in place and improving.

Appendix 1:

Reports Considered by Audit Committee During 2024/25 to date:

Audit Committee	
Meeting Date	Papers Considered
30 th May 2024	<ul style="list-style-type: none"> • Grant Thornton 2023/2024 Audit Plan • Internal Audit Annual Report 2023/2024 • Fraud Annual Report 2023/2024 • Draft Annual Governance Statement 2023/2024 • Internal Audit 2024/2025 Q2 Priorities • Draft Statement of Accounts 2023/2024 • Q4 2023/2024 Corporate Risk Report
22 nd July 2024	<ul style="list-style-type: none"> • Internal Audit Update Report including exceptions reports in relation to: <ul style="list-style-type: none"> ○ Children in Unregistered Provisions ○ Education other than at schools ○ Records Management ○ Savings Delivery ○ Imprest Account Management • Deep Dive: CRR55 Risk of children placed in unregistered provision. • Q1 2024/25 Corporate Risk Report Update • Revision of Procurement and Contract Management Rules • Procurement Compliance Update • Bristol Beacon Lessons Learned Report • Audit Committee Annual Report to Full Council 2023/24
1 st October 2024	<ul style="list-style-type: none"> • Grant Thornton ISA 260 Report • Statement of Accounts Year Ended 31st March 2024 • Treasury Management Annual Report • Update on the Council's Debt and Arrears Position • Internal Audit - Exceptions Reports including: <ul style="list-style-type: none"> ○ Business Continuity Planning ○ Housing Investment Programme and Maintenance ○ Community Infrastructure Level and s106 Funding ○ Licencing Income • Internal Audit 2024/25 Q3 Priorities • Customer Relations Annual Report of Local Government and Social Care Ombudsman Decisions • Code of Corporate Governance • Risk Management Annual Report • Q2 2024/25 Corporate Risk Report Update • Bristol City Council Trading Companies Annual Comprehensive Assurance statements
25 th November 2024	<ul style="list-style-type: none"> • Statement of Accounts 2023/24 including Annual Governance Statement • External Audit – ISA 260 Report (Audit Findings Report) • External Audit – Interim Auditors Annual Report • Treasury Management Mid-Year Report • Introduction of Capital Portfolio Management Office • Internal Audit Half Year Report • Counter-Fraud Update • Internal Audit Quality Assurance and Improvement Programme • Internal Audit Quarter 4 Priorities
Values and Ethics (Sub) Committee	
15 th April 2024	<ul style="list-style-type: none"> • Revised Complaints Procedure
1 st October 2024	<ul style="list-style-type: none"> • Honorary Alderman/Alderswoman/Aldersperson Nominations

