



# **BRISTOL CITY COUNCIL**

## **AUDIT COMMITTEE**

### **ANNUAL REPORT 2016-17**

## 1. Introduction:

- 1.1 This is the annual report of the Audit Committee and covers the financial year 2016/17. The format of the report has been developed to enable the reader to form a view about the effectiveness of the Committee's activities during the year and its oversight of the Assurance and Risk Management Frameworks within which Bristol City Council operates.

## 2. Role of the Committee:

- 2.1 The Committee's approved Terms of Reference, which are detailed on the Bristol City Council website [Audit Committee Terms of Reference.pdf](#), can be summarised as providing independent assurance to the Council in relation to the:

- Effectiveness of the Council's governance arrangements, risk management framework and internal control environment;
- Overseeing of the work of Internal and External Audit;
- Effectiveness of the Council's financial and non-financial performance;
- Reviewing of the Annual Statement of Accounts and the Annual Governance Statement.

A commentary on the Committee's work during 2016/17 is set out in the following paragraphs.

- 2.2 The Audit Committee is, therefore, the primary means by which the Council ensures that adequate assurance and internal control systems are in place. It ensures that these are regularly reviewed and reflect regularity and propriety. It also oversees the Council's risk management processes, corporate governance arrangements and treasury management. The Audit Committee's responsibilities are additional and supportive to those of the Section 151 Officer.
- 2.3 A total of forty five reports were considered during the year, the details of which are provided in Appendix 1.
- 2.4 In addition to the Committee members, the Section 151 Officer, Head of Internal Audit, Monitoring Officer, representatives from External Audit (BDO LLP) and other officers, as appropriate, attended Committee meetings.

## 3. Adoption of Recommended Practice:

- 3.1 The Committee considered its effectiveness in 2016/17 against the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on Audit Committees' 'Good Practice' checklist to ensure it operated in line with generally accepted practices. The results from the assessment will be used to inform the Committee's training strategy going forward as well as its work programme. A copy of the checklist is attached to this report for information at Appendix 2.
- 3.2 The Audit Committee also reviews the Council's Annual Governance Statement, which is consistent with the principles of the *CIPFA/SOLACE Framework: Delivering Good Governance in Local Government*.

## 4. The Work of the Committee in 2016/17:

### Has the Committee Fulfilled its Terms of Reference?

- 4.1 The specific objectives of the Committee relate to overseeing the following arrangements:

*Table 1 - Audit Committee Key Oversight:*

Oversight
Internal Control Environment
Corporate Risk Management
Regulatory Framework
Internal Audit
External Audit
Financial Reporting
Treasury Management
Members Conduct
Anti-Fraud Arrangements
Granting Dispensations
Member Complaints

- 4.2 The Committee received reports on all of these requirements in terms of relevant agenda items. Audit activity is reviewed at every meeting with plans and reports received from Internal and External Audit.
- 4.3 Specific aspects of governance which have been reviewed include risk management arrangements, whistle-blowing arrangements, and an update on the Council's financial governance arrangements. The Annual Governance Statement and the Accounts for 2015/16 were considered prior to their final production in addition to considering the related External Auditor's report.
- 4.4 The Committee received an Annual Report from the Head of Internal Audit, in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS). This provided an opinion on the control environment and an update on the Council's current fraud risk, together with details of the assurance, fraud/irregularity and Value for Money work which has been undertaken on the Council's behalf and the outcomes there of.
- 4.5 The Committee has also expressed an interest in the extent to which Internal Audit recommendations have been implemented. The Committee has continued to emphasise the importance of implementing Internal Audit's recommendations and has supported Internal Audit in its work to ensure control weaknesses are effectively dealt with.
- 4.6 In order for the Committee to be effective, it is necessary that the members of the Committee be apolitical and objective, have a clear understanding of risk management, internal control and governance issues and how the arrangements in place across the City Council operate. A number of Committee members were newly appointed and, during 2016/17, training was arranged to support the induction process and for existing members to reinforce the need for the Committee to be able to deliver a robust and appropriate challenge environment within the Council.

Whilst improvements have been noted, there remain a number of areas where the Committee needs to be vigilant to ensure compliance with the following responsibilities under the Committee's Terms of Reference:

- Maintaining an apolitical/independent approach to meeting agendas and items thereon.
- Providing robust challenge to determine the effectiveness of the Council's governance framework.
- Ensuring focused meetings to maximise the Committee impact

The Committee has recognised its need for further and possibly more focused / targeted training sessions and these will be jointly planned in the coming year. Details of 2016/17 training courses are outlined at paragraph 4.14 below.

### **How has the Committee Added Value?**

4.7 The Committee has been presented with a wide range of issues during the year, providing scrutiny of the governance within the Council. Outlined below are examples of where the Committee has sought to improve the governance of the Council:

- Following receipt of updates from Internal Audit on the level of implementation of their recommendations, the Committee as well as expressing dissatisfaction has, where appropriate, called officers to account.
- The Committee has requested improved tracking of whistleblowing incidences in order to ensure that matters are appropriately dealt with, lessons are learned and the whistle-blower is not disadvantaged in any way.

### **Membership of the Committee and Attendance Record**

4.8 September 2016, the Committee comprised of nine members and was chaired by Councillor Olly Mead. The other members were Councillors Clive Stevens, Vice Chair, Nicola Beech, Nicola Bowden-Jones, Helen Godwin, Liz Radford, and Gary Hopkins, plus two independent members Brenda McLennan and Ken Guy.

4.9 In September 2016 the Committee lost one of its independent members, Brenda McLennan, who was not replaced for the residual part of the year. Additionally, the other independent member of the Committee left at the end of the 2016/17 municipal year.

4.10 The Committee met formally on six occasions during 2016/17, all of which were quorate.

*Table 2 Audit Committee Attendance 2016/17:*

Member	No. of Meetings Held	No. of Meetings Attended	% of Meetings Attended
Olly Mead - Chair	6	6	100%
Clive Stevens – Vice Chair	6	4	67%
Nicola Beech	6	6	100%
Nicola Bowden-Jones	6	5	83%
Helen Godwin	6	2	33%
Liz Radford	6	6	100%
Gary Hopkins	6	5	83%
Ken Guy	6	3	50%
Brenda McLennan	3	2	67%

- 4.11 One declaration of a non-pecuniary interest was made at the September 2016 meeting. The Committee member did not take part in the discussions appertaining to that interest.

### **Training and Development Activity to Support Committee Members**

- 4.12 A key requirement of an effective Audit Committee is a well-informed membership who has substantial experience of the key areas to be considered by the Committee. The training plan for 2016/17 has been aimed at assisting members to improve their knowledge and understanding of some of the complex issues; for example preparation of the Council's Annual Accounts and Annual Governance Statement and the important duty that the Committee has to perform in terms of scrutinising those accounts and passing them for external audit.
- 4.13 The Committee attended training in the following areas during the municipal year:
- The Role of the Audit Committee
  - Risk Management and Governance – the Committee's responsibilities
  - Scrutinising the Annual Statement of Accounts
  - Treasury Management
  - Governance and the Annual Governance Statement
- 4.14 Additionally, the Committee received the following CIPFA Better Governance Forum publications to aid its understanding of its role:
- Good Governance in Local Government – 2016 Framework
  - The Audit Committee and Internal Audit Quality
- 4.15 The Committees' completion of the CIPFA Self-assessment, which is provided at Appendix 2, will be utilised to inform the Committee's training programme going forward to the next municipal year.
- 4.16 The Council has an established budget for member development and training in 2017/18 and this can be accessed to support external trainers or facilitators, or to fund members' attendance on external training programmes where this is considered beneficial.

## **5. Priorities for 2017/18**

- 5.1 Looking forward, the Committee will be enhancing its effectiveness by developing in the following areas, which have been informed, in part, by its effectiveness self-assessment:
- Reviewing it's Terms of Reference in accordance with CIPFA Guidance
  - Monitoring of the Annual Governance Statement Action Plan
  - Commissioning Governance
  - Partnership Governance
  - Business Continuity Planning
  - Trading Companies (establishing Committee's role if appropriate)
  - Information Security / Strategy
  - Implementation of recommendations from both Internal and External Audit
  - Transparency and accessibility of reporting within the Council
  - The Control, Risk and Governance framework

## **6. CONCLUSION**

- 6.1 The Committee's primary contribution to the Council's objectives is to ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Council are sound, reliable, robust and secure.
- 6.2 This review gives an overview of the range of work undertaken by the Committee, which has enabled it to conclude that the Council's system of checks and balances, whilst not having been as robust as required, have been subject to some improvement during the year, with further improvements planned going forward.
- 6.3 The Committee has noted that a Governance improvement action plan has been developed and will be monitored at Member level as appropriate.
- 6.4 A review of Committee effectiveness against its terms of reference and opportunities to enhance the effectiveness of the Committee have been identified for implementation in 2017/18. The Committee recognises the significant challenges facing the Council over the coming years, and aims to promote and support good governance throughout the Council.
- 6.5 I would like to thank my Vice Chair, fellow Committee members and Officers for their support in enabling the Committee to achieve its objectives in 2016/17. I would also like to take this opportunity to thank our two independent members for their support of the Committee over the last 7 years and to wish them both well in the future.

## **7. Appendix:**

- Appendix 1 – Reports considered by the Audit Committee in 2016/17
- Appendix 2 - CIPFA 'Good Practice' checklist for Audit Committees.