

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