

# Audit Committee

21<sup>st</sup> January 2019



**Report of:** David Lawrence, Interim Shareholder Liaison Director

**Title:** Audit and Assurance arrangements for Council trading companies.

**Ward:** N/A

**Officer Presenting Report:** David Lawrence, Interim Shareholder Liaison Director

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## Recommendation

The Audit Committee note the Audit and Assurance arrangements of the Council trading companies.



## **1. Purpose**

- 1.1 To provide information for the Audit Committee with respect to the audit and assurance arrangements of Bristol Waste and Bristol Energy.

## **2. Background**

- 2.1 Bristol Waste and Bristol Energy were established via a detailed business case which resulted in the Cabinet decisions in of 11th June and 6th July 2015 respectively.
- 2.2 The Bristol Waste Company Limited exists predominantly to fulfil functions required of it by the Council under an agreement for services, where less than 20% of its activities are to trade or to provide commercial services with other organisations or the public (what is known as a Teckal company).
- 2.3 Bristol Energy & Technology Services (Supply) Limited has been trading energy to commercial and residential customers on the open market since February 2016.
- 2.4 The process of governing the companies is principally with the Mayor making “reserved matter” decisions as the shareholder, following advice from the Shareholder Group. The Company’s board of Directors are responsible for all other matters in relation to the management of the company.
- 2.5 The boards each have their own Audit and Risk sub committees.

## **3. Summary of arrangements**

### **Bristol Energy**

- 3.1 Bristol Energy’s audit and risk committee is a mature process that has been operating since the company’s for over two years. It reviews a comprehensive range of process audits, risk reviews, regulation changes. It also reviews delegations and authorities on a regular basis.
- 3.2 The company operates in a highly regulated environment and thus there are a range of industry reviews which are mandatory requirements. As a consequence Elexon are to conduct a comprehensive audit of Process and Data Flows during January and February. The results of which are reported to the company and the industry regulator Ofgem.
- 3.3 A council nominated Non-Executive Director (Cllr Steve Pearce) and the Council’s Shareholder Liaison Director both attend the Audit and Risk Committee which is Chaired by a Non-Executive Director; Alex Wiseman.

### **Bristol Waste Company**

- 3.4 The Waste Company’s Audit and Risk Committee is a more recent development. As a consequence their Audit Charter is attached for information.
- 3.5 The committee is chaired by a Non-Executive Director; Frank Rodriguez. Attendance arrangements are available to the Council on a similar basis to those associated with Bristol Energy.
- 3.6 There are external audit arrangements concerned with the businesses membership of the Environmental Services Association. This gives access to comparative data across the industry for the purposes of bench marking the costs and quality of services.

3.7 The Department of Environment, Food and Rural Affairs (DEFRA) collects annual data through the offices of the Council that compares the performance of the business with other authorities services across England and Wales. It's this data that demonstrates that last year BCC led the Core Cities in recycling performance and was considered the best performing authority in the South West.

3.8 These consolidated data sets provide the Council with additional indicators of the performance of the company within a controlled and licensed business environment.

The company's audit plans are consolidated below:

Audit Area	Coverage	Indicative Timing
Annual Financial Audit Bristol Energy (BE) & Bristol Waste Company (BWC).	Monitoring the integrity of the financial statements relating to financial performance. Reviewing internal financial controls Testing the effectiveness of the internal systems and processes Drawing up the financial statement Recommendations to the Board	COMPLETED May 2018.  Conducted by PWC
Safety, Health and Environmental Quality Review BWC	Route and branch assessment across the business covering facilities, equipment, vehicles, process and emergency response.	COMPLETED August 2018  Conducted by Stallard Kane
Financial Delegations and Approvals BE	To review whether creditor and contractual payments are made in accordance with the company's agreed financial delegations and approvals. The scope to include the following areas: <ul style="list-style-type: none"> <li>• Roles and responsibilities for account payable processes</li> <li>• Purchase order, invoice receipt and authorization processes</li> <li>• Invoice payment process</li> <li>• New Supplier setting</li> </ul>	COMPLETED Sept – Dec 2018  Conducted by BCC Internal Audit Team
HR Processes and Procedures BE	Evaluate the adequacy of processes to address the key HR system risks in respect of the following processes: <ul style="list-style-type: none"> <li>• Starters</li> <li>• Leavers</li> <li>• Annual Leave and Sickness Recording</li> </ul>	COMPLETED Sept – Dec 2018  Conducted by BCC
IT Access Controls and Authority BE	To assess and advise upon the adequacy and effectiveness of the management of the following risks: <ul style="list-style-type: none"> <li>• Unauthorised access to core systems</li> <li>• Unauthorised amendment to data held in core systems</li> <li>• Unauthorised amendment of core systems configuration.</li> </ul> <p>The core IT systems to be reviewed will be the Finance, HR and the Billing systems.</p>	Jan – March 2019  Conducted by BCC
Fraud Risk Assessment BWC	To assess and assist arrangements within the Company to prevent and detect the incidence of fraud, bribery and corruption and loss.  The review will take an overview of the fraud risk management arrangements including the policy, risk register and overall awareness of fraud  It will initially be undertaken by discussions and /or facilitated sessions with nominated management and discussions with	January 2019  Conducted by BCC

	relevant staff as necessary.	
Project Management BWC	<p>To provide the Company with independent assurance on the adequacy and effectiveness of arrangements relating to the implementation of projects with specific emphasis upon the Avonmouth Recycling Centre.</p> <p>Internal Audit take a “critical friend” approach in the review of major projects, which can include coverage of the following:</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Benefits Realisation</li> <li>• Cost Management</li> <li>• Project Resources</li> <li>• Risk Management</li> <li>• Procurement</li> <li>• Time Management</li> </ul>	<p>January / February 2019</p> <p>Conducted by BCC</p>
Business Planning and Performance Monitoring BWC	<p>To review the effectiveness of data quality processes which feed business and performance measurement and metrics.</p> <p>The scope of the assignment will include review of the following areas:</p> <ul style="list-style-type: none"> <li>• Procedures in place to ensure the accuracy, completeness and timeliness of performance data.</li> <li>• Recording and quality assurance arrangements for a sample of performance metrics.</li> </ul>	<p>February / March 2019</p> <p>Conducted by BCC</p>
Procurement Processes	BWC	Internal
Approvals and Sanctions	BWC	Internal
Operating Licences and Permits Compliance	Both	Internal
GDPR Compliance	Both	Internal
Business Continuity Planning	Both	Internal
Brexit Preparation	Both	Internal
Winter Emergency and Business Continuity Planning	Both	Internal

**Note;**

- 1) The scale of the Health and Safety review undertaken by Stallard Kane (on behalf of Bristol Waste Company) has been comprehensive and far reaching. This work was driven by the historic positioning of the Waste Industry as significantly more dangerous than the average work place in the UK. There will be ongoing support provided to BWC.
- 2) The Audit Schedule is progressing according to expectations and with the support of the Council’s internal audit team that undertake activities on behalf of both companies.
- 3) There have been no major issues that have arisen from any of the reviews internally or externally conducted.

**4. Appendices:**

- Appendix A – Bristol Waste Company Audit Charter.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**5. Background Papers:**

None