



BRISTOL CITY COUNCIL

AUDIT COMMITTEE

(DRAFT)

**ANNUAL REPORT
2018-19**

DRAFT

1. Introduction:

- 1.1 This is the annual report of the Audit Committee and covers the municipal year 2018/19. 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 for 2018/19, which are detailed on the Bristol City Council website ([Terms of Reference](#)), 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, while at the same time enhancing the profile, status and authority of the Internal Audit function and its independence;
 - Effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control;
 - Reviewing of the Annual Statement of Accounts and the Annual Governance Statement and the Council's compliance with its Code of Corporate Governance.
- 2.2 A commentary on the Committee's work during 2018/19 is set out in section 4 below.
- 2.3 The Audit Committee is the primary means by which Full Council obtains assurance that governance, risk management and control systems are in place and effective. It ensures that these are regularly reviewed and reflect regularity and propriety. The Audit Committee's responsibilities are additional and supportive to those of the Section 151 Officer.

3. Membership and Meetings of the Committee:

- 3.1 The Committee was chaired during 2018/19 by Councillor Olly Mead. The Committee comprised of nine members - the Chair and Councillors Clive Stevens (Vice Chair), Liz Radford, Mark Brain, Anthony Negus, Afzal Shah and Steve Pearce, with independent members, Adebola Adebayo and Simon Cookson. Unfortunately, the Committee lost Councillor Pearce at the beginning of 2019 as he was called to the Cabinet.
- 3.2 The Committee met formally on six occasions during 2018/19, with two additional extraordinary meetings held in July and October 2018 to consider the progress of the external audit of the Council's draft Statement of Accounts 2017/18. All meetings were quorate.

Table 2- Audit Committee Attendance 2018/19:

Member	No. of Meetings Held	No. of Meetings Attended	% of Meetings Attended(sub)
Olly Mead (Chair)	8	8	100%
Clive Stevens – Vice Chair	8	7 + 1 Sub	100%
Mark Brain	8	7	88%
Steve Pearce	7	4	57%
Anthony Negus	8	7 + 1 Sub	100%
Liz Radford	8	7 + 1 Sub	100%
Azfal Shah	8	5	63%
Adebola Adebayo	8	5	63%
Simon Cookson	8	7	88%

- 3.3 There were two declarations of a non-pecuniary interest during the municipal year, and the relevant Committee members did not take part in the discussions appertaining to those interests at any of the relevant meetings.
- 3.4 In addition to the Committee Members, the Section 151 Officer, Chief Internal Auditor, Deputy Chief Internal Auditor, Monitoring Officer, representatives from the outgoing External Audit (BDO LLP) and the incoming External Audit (Grant Thornton) and other officers, as appropriate, attended Committee meetings.
- 3.5 A total of fifty one reports were considered during the year, the details of which are provided in Appendix 1. Additionally, at each committee meeting, the Committee's work programme was reviewed for continued relevance and progress against actions required by the Committee was monitored.

4. The Work and Activity of the Audit Committee in 2018/19:

- 4.1 The specific objectives of the Committee relate to overseeing the following arrangements. Papers received by the Committee to enable them to provide that oversight are recorded below:

Table 1 - Audit Committee Key Oversight:

Area	Papers Considered to Enable Oversight
Internal Control Environment	<ul style="list-style-type: none"> Internal Audit Activity Reports. These were provided throughout the year and included enhanced summary information regarding individual audit reviews and details of the control environments. Internal Audit Annual Report, including annual opinion on governance, risk management and internal control. Local Government Ombudsman Report BCC Wholly owned Companies Audit & Assurance Arrangements
Corporate Risk Management	<ul style="list-style-type: none"> Risk Management Policy Review; Corporate Risk Report; Reports on a specific Corporate Risk at three of the six scheduled meetings. Risk Management Report
Regulatory Framework	<ul style="list-style-type: none"> Annual Governance Statement. Bundred Report Actions and Annual Governance Statement Tracker. Constitution Updates Senior Officer Remuneration Report by External Auditor Update on the Council's compliance with GDPR requirements Annual Review of the Effectiveness of the System of Internal Audit External Inspection Reports
Internal Audit	<ul style="list-style-type: none"> Internal Audit Charter, Terms of Reference and Strategic Statement. Internal Audit Plan 2019/20. Amendments to the Plan. Internal Audit Activity and Performance Reports. Internal Audit Peer Review – Action Plan Implementation Updates. Internal Audit Quality Assurance and Improvement Programme.
External Audit	<ul style="list-style-type: none"> External Audit Planning and Update Reports from both outgoing and incoming external auditors.
Financial Reporting	<ul style="list-style-type: none"> Annual Statement of Accounts –for 2017/18 External Audit ISA 260 Report. External Audit Grants Report.
Treasury Management	<ul style="list-style-type: none"> Treasury Management Annual Report Treasury Management Half Year Update Report
Members Conduct	<ul style="list-style-type: none"> DBS Check Requirement for Members Councillor Referral to Audit Committee

Area	Papers Considered to Enable Oversight
Anti-Fraud Arrangements	<ul style="list-style-type: none"> • Internal Audit – Counter- fraud reports and Internal Audit Activity Reports. • Whistleblowing Annual Review.

Key Messages from the work of the Committee:

Internal Control Environment:

- 4.2 The Committee received an Annual Report from Internal Audit, in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS) at the start of the municipal year. This drew attention to the continued reduction in the control environment for areas reviewed by Internal Audit.
- 4.3 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. The Committee has received regular updates on the status of outstanding recommendations, and where appropriate has requested further information from the relevant responsible officers.
- 4.4 Internal Audit activity reports received by the Committee throughout the year continue to identify areas where control environment improvement is identified upon audit, however the Committee has received assurance that the rate of recommendation implementation has considerably improved as the year has progressed, moving from 40% fully implemented at the end of 2017/18 to 60% fully implemented at 2018/19 year-end.

Corporate Risk Management:

- 4.5 The Committee oversaw revision to the Council's Risk Management Policy and reviewed the revised Corporate Risk Register (Report) once during the year, together with an update report on the Risk Management process from the Risk and Insurance Manager. Committee members remain concerned regarding scrutiny of Directorate Risk Registers to ensure this element of strategic risk management arrangements is effective.
- 4.6 The Committee also received report presentations from three corporate risk owners during the year, thereby allowing the Committee to drill down into a particular risk, expressing concerns and discussing the mitigations with the owner. This approach further strengthened the Committee's oversight of corporate risk within the Council.

Regulatory Framework/Financial Reporting:

- 4.7 The final Annual Governance Statement (AGS) for 2017/18 was considered prior to its production. The AGS identified significant governance issues, which were incorporated into the Governance Improvement Action Plan, which collated both the recommendations from the external governance review in 2016/17, and the proposed actions to address the significant issues as identified in the AGS. The action plan is monitoring throughout the year, with updates provided to the Committee at its September 2018 and January 2019 meetings.
- 4.8 Although the Committee reviewed the draft Statement of Accounts (SOA) for 2017/18 at its May 2018 meeting, it did not sign-off the final accounts by the original deadline of July 2018, but rather agreed the accounts at its March 2019 meeting. The Committee receive regular updates from BDO on the progress being made on the audit of the accounts and the reasons for the extended delay. To that end the Committee held two extraordinary meetings during the year.

- 4.9 In their Annual Report for 2017/18, the external auditors issued an unmodified true and fair opinion on the financial statements. It also made an “except for” modified opinion on the Council’s arrangements in place for securing economy, effectiveness and efficiency in its use of resources, this was in relation to the matters arising with regard to Senior Officer Remuneration, and the findings from the review undertaken by BDO on behalf of the Council.

Audit Arrangements:

- 4.10 The Committee received regular reports from both the internal and external auditors to enable them to monitor performance and effectiveness of the Council’s audit arrangements.
- 4.11 The interim Chief Internal Auditor continued with the Internal Audit Team during the year, taking on the role permanently in January 2019. This inclusion of strategic management within the team has had a positive impact on the performance of the team and its profile through-out the Council.
- 4.12 The Audit Committee wish to highlight to the Council the importance of the work undertaken by the Internal Audit team and express its gratitude to the Chief Internal Auditor and the Director of Finance for securing an increased Internal Audit budget in the latter part of 2018/19 and into 2019/20, thereby allowing the team to secure sufficient resources to provided appropriate audit coverage across the Council. However, as the team continued to cope with many vacancies during the early part of 2018/19, at the November meeting the Audit Committee approved amendments to the Internal Audit plan, reducing coverage, to reflect both the changing priorities across the Council and the reduced resources available to the team early in the year.
- 4.13 The Audit Committee have also monitored external audit provision by way of update reports from the external auditor, both in terms of BDO’s progress on the audit of the SOA for 2017/18 and the audit plans of the incoming external auditor (Grant Thornton) for the 2018/19 SOA.
- 4.14 The Committee expressed its concern with regard to the length of time it took to achieve audited accounts for 2017/18, however it received a number of update reports from BDO on the status of the audit.

Counter Fraud Arrangements:

- 4.15 The Committee received regular updates on the counter-fraud work undertaken by Internal Audit and noted the continued good results concerning proactive fraud identification work. The Committee was pleased to note that additional resource for the Investigations Team has been included in the revised Internal Audit structure, thereby demonstrating the Council’s commitment to fraud prevention, detection and investigation, as well as Value for Money.

Summary:

- 4.16 In summary, the Committee has generally met its terms of reference in this municipal year, the terms of reference having been revised in consultation with the Committee and approved by Full Council in July 2018. The Committee also received a report on the revised terms of reference at its March 2019 meeting in order to ensure they remained fit-for-purpose.
- 4.17 In order to be effective, members of the Committee have recognised that, when serving on the Committee, they should be apolitical, objective, engaged, and have a clear understand-

ing of risk management, internal control and governance issues, and how the arrangements in place across the City Council operate. During 2018/19, the Committee has considered items of a contentious nature which because of the potential impact on governance within the Council, required in-depth consideration. The Committee recognise that there is a continued need to ensure that, where appropriate, agenda management should be applied in order to ensure that all agenda items receive the depth of consideration relevant to the item being discussed.

4.18 The Committee has been presented with a wide range of issues during the year, adding value by providing scrutiny of the governance within the Council. Outlined below are examples of where the Committee has contributed to improved governance of the Council:

- The Committee has received regular updates on the status of recommendations made as a result of Internal Audit reviews, both in terms of numbers implemented and details of actual recommendations outstanding. The Committee has continued to support Internal Audit in its condemnation of those who do not implement recommendations made. This support has helped to increase the implementation rate considerable during 2018/19.
- The Committee has continued to receive summary reports from all Internal Audit reviews throughout the year, this has not only served to provide the Committee with a greater understanding of the activities within the Council, but to also further raise the importance of the internal audit process and the need for management to effectively engage.
- The Committee has continued its watching brief with regard to the governance arrangements within the Council's wholly owned companies, receiving reports during the year the progress the companies are making.
- During the course of the year, the Committee agreed to establish a sub-committee to consider Values and Ethics matters. This sub-committee will take on the responsibilities with regard to Member standards and breaches thereof.

5. Training and Develop Activity to Support the Committee.

5.1 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 2018/19 was aimed at assisting members to improve their knowledge and understanding of some of the complex issues they consider. A training/workshop session was provided for Committee members prior to each Committee meeting throughout the year as follows:

- June 2018 Annual Statement of Accounts Workshop
- July 2018 Assurance arrangements for Major Projects and Programmes
- September 2018 Information Technology & Information Security Risks
- November 2018 Performance Management – Assurance Arrangements
- January 2019 Partnership Governance Arrangements
- March 2019 Audit Committee Effectiveness Workshop

5.2 The Committee has considered its effectiveness in 2018/19 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.

5.3 Each member of the Committee was asked to complete the good practice checklist; however at this stage the response to the checklist was limited and will need further responses by the time this report is submitted to Full Council.

- 5.4 Whilst Committee members considered that the Committee made a strong contribution to counter-fraud arrangements and development of effective control environments, other areas require further development/attention to assist the Committee becoming more effective going forward. Key areas identified from the self- assessment and how these gaps will be filled will be highlighted when further responses are received from members.
- 5.5 The Council has an established budget for Member development and training in 2019/20 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.

6. Priorities for 2019/20

- 6.1 Looking forward, the Committee will strive to enhance the assurances it can provide by:
- Regularly reviewing its work programme in line with the Committee's robust terms of reference going forward.
 - Continuing a programme of training at each meeting which can be offered to other Members.
 - Increased engagement with the risk management process in order to understand the effectiveness of the risk management arrangements.
 - Supporting and reviewing progress being made to address the areas of concern identified by Internal and External Reports
 - Developing the Committee's role in reviewing governance arrangements where the Council works in partnerships.
 - Summary reporting of Audit Committee activity to Full Council during the municipal year
 - Improved engagement for Independent Members

7. CONCLUSION

- 7.1 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.
- 7.2 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 are not consistently as robust as required and further improvements are planned going forward.
- 7.3 A review of Committee effectiveness against its terms of reference, taking into consideration the skills required to meet new requirements; opportunities to enhance the effectiveness of the Committee have been identified for implementation in 2019/20. The Committee recognises that the challenges facing the Council are ongoing and as such aims to continue to promote and support good governance throughout the Council.
- 7.4 I would like to thank my fellow Committee members and Officers for their support in enabling the Committee to achieve its objectives in 2018/19.

Appendices:

- Appendix 1 – Reports considered by the Audit Committee in 2018/19
- Appendix 2 - CIPFA 'Good Practice' Self -Assessment Checklist for Audit Committees (To be provided when reported to Full Council).

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APPENDIX (1)

Reports Considered by the Audit Committee in 2018/19

At each meeting, the Committee's work programme was reviewed for ongoing relevance. Additionally, actions agreed at meetings were recorded in an action sheet which was again reviewed at each meeting to monitor progress of agreed actions. Other reports considered during the year are recorded below:

Meeting:	Report:
May 18	<ul style="list-style-type: none">• BDO Progress Report• Internal Audit (IA) Annual Report 17/18• Draft Annual Governance Statement (AGS) 2017/18• Fraud Annual Report 2017/18• Draft Audit Committee Annual Report to Full Council• Draft Statement of Accounts 17/18• Councillor Referral to Audit Committee• DBS Checks for Members of the Council
July 18	<ul style="list-style-type: none">• Final SOA - BDO Verbal update• External Auditor ISO 260 Progress Report• IA Activity Report• Final AGS for 2017/18• Corporate Risk Register & Risk Management Report• Audit Committee TOR Update and Establishment of Values and Ethics Committee• BCC Wholly Owned Companies Update• GDPR Update
July 18 Extraordinary	<ul style="list-style-type: none">• Final SOA - BDO written update
September 18	<ul style="list-style-type: none">• IT Corporate Risks (Exempt)• AGS and Governance Tracker Update• IA Activity Report (2)• Peer Review Implementation update• Treasury Management Annual Report 2017/18• Update on the draft SOA 2017/18
October 18 Extraordinary	<ul style="list-style-type: none">• Final AGS 2017/18• SOA for 2017/18 Position• Final ISO 260 Report - Update
November 18	<ul style="list-style-type: none">• Risk Focus - BCP Report• IA Half-year Report• Investigation and Counter Fraud half- year report• IA Quality Assurance Improvement Plan Update• IA Charter, Terms of Reference and Strategic Statement• Treasury Management half- year report

Meeting:	Report:
	<ul style="list-style-type: none"> • Annual Report of Local government and Social Care Ombudsman Decisions
January 19	<ul style="list-style-type: none"> • Grant Thornton (GT) Update • Annual Whistleblowing Report • Annual review of effectiveness of the system of IA • CRR & Policy • Companies Audit & Assurance Arrangements • Governance Tracking Report
March 19	<ul style="list-style-type: none"> • GT Update • BDO 2017/18 Annual Accounts Update • BDO- Grants Report for 2017/18 • Risk Focus - Safeguarding Vulnerable Children • External Inspection Reports • Internal Audit Draft Plan for 2019/20 • IA Peer Review Implementation Update • IA Activity Report April 18 to Feb 19 • Audit Committee TOR Review • Constitution Review • Senior officer Remuneration Review by BDO