

Audit Committee

29 July 2019



Report of: Penny Fell, Director: Commercialisation and Citizens

Title: Audit and Assurance arrangements for Council trading companies 2018/2019

Ward: N/A

Officer Presenting Report: Penny Fell, Director: Commercialisation and Citizens

Contact Telephone Number: 0117 922 2287

Recommendation

The accompanying papers are the Annual Review and Letters of Assurance from the Chairs of the Audit Committees of Bristol Energy Ltd. (BE) and Bristol Waste Company Ltd (BWC) to the Shareholder and the Council's Audit Committee.

1. Background

- 2.1 Bristol Waste and Bristol Energy were established via a detailed business case which resulted in the Cabinet decisions of 11th June 2015 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. Summary of Audit arrangements

2.1 The Company’s Audit Committees are responsible for:

- Reviewing governance, including internal financial controls and reviewing the company’s internal control and risk management systems;
- Developing and approving annual audit plan.
- Initiating audits, specifying (in line with BCC audit committee policy) and briefing auditors.
- Considering the outcome and need for additional work.
- Reviewing external audits and meeting with the auditors to discuss any issues raised.
- Reporting to their Company Board.

2.2 The Shareholder Group provides oversight across all of the companies it has a relationship with, in relation to audit it carries out the following tasks:

- Reviewing the annual audit plans approved by the Company Audit Committee.
- Make recommendations to ensure consistency and spread good practice.
- Consider the ‘Effectiveness Reviews’ prepared by Boards and Audit Committee and external contributors.
- By exception, considering a selection of audit reports (in summary form).

2.3 The Bristol City Council’s Audit Committee’s role is to:

- Reviews and Letters of Assurance that are presented by the Company Audit Committees to it annually.
- Make recommendations to the Chairs of the Bristol Energy and Bristol Waste Company Audit Committees in order to inform the annual audit plans for the Group of Companies.
- Audit Committee members may wish to consider sampling the audit reports (in detail or in summary) by making a request to the Company’s Audit Committees.
- By exception, the BCC Audit committee may 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, the BCC Audit Committee may request a meeting with members of a Company's Audit Committee as part of the annual 'Review of Effectiveness'.

3. Annual Governance Statement

- 3.1 The companies have also contributed to the Council's overall Annual Governance Statement, identifying the overall adequacy and effectiveness of the companies' governance arrangements, risk management, and internal control environment.
- 3.2 The Letters of Assurance and accompanying documents should be seen as an additional contribution to the understanding of the effectiveness of those issues within the company's business environment.

4. Change to the Audit Committee arrangements for 2019/20

- 4.1 The arrangements for a single Group Audit Committee at the Bristol Holding Company level will be put in place during 2019 in order to consolidate the investigation and reporting processes in anticipation of further companies joining the group (e.g. Goram Homes Ltd.).
- 4.2 This consolidation of the existing audit committee was agreed as part of the approval of the Bristol Holding Ltd. business plan agreed by Cabinet in April 2019.

5. Recommendations

- 5.1 The Bristol City Council's Audit Committee receive the submission of the Letters of Assurance from BE and BWC and note the accompanying documents.
- 5.2 The committee inform the Director: Commercialisation and Citizens (in her capacity as Shareholder Liaison Director) of any issues that should be fed back to the companies for clarification.

6. Appendices:

- Appendix A – Bristol Energy Audit Committee Assurance Letter.
 - Appendix A1 – Bristol Energy Audit and Risk Committee Annual Report
 - Appendix A2 – Bristol Energy Corporate Governance and Risk Management
 - Appendix A3 - Bristol Energy Internal audit proposal 2018_2019
 - Appendix A4 – Bristol Energy Internal audit plan proposal 2019_2020
- Appendix B – Bristol Waste Audit Committee Assurance Letter.
 - Appendix B1 – Bristol Waste Audit Committee Charter
 - Appendix B2 – Bristol Waste Audits calendar 2018_2019
 - Appendix B3 – Bristol Waste Audits calendar 2019_2020

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

1. Companies Audit and Assurance arrangements,
Audit Committee, Monday, 21st January 2019, 2.00 pm

<https://democracy.bristol.gov.uk/documents/s28771/11%20Audit%20and%20Assurance%20arrangements%20for%20Council%20trading%20companies%2011012019.pdf>