



# **BRISTOL CITY COUNCIL**

## **AUDIT COMMITTEE**

**(DRAFT)**

**ANNUAL REPORT  
2019-20**

**DRAFT**

## 1. Introduction:

- 1.1 It is important that the Council has an independent and effective Audit Committee that follows best practice. 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 to and supportive of those of the Section 151 Officer.

## 2. Terms of Reference:

- 2.1 The Committee's approved Terms of Reference for 2019/20, 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 and approving the Annual Statement of Accounts and the Annual Governance Statement and monitoring the Council's compliance with its Code of Corporate Governance.
- 2.2 The Committee should operate in an 'apolitical' environment. On considering the appropriateness of its own terms of reference, the Committee this year resolved to recommend to Full Council that Political Party Leads should not sit on the Audit Committee and that the Committee's terms of reference should include this requirement going forward.

## 3. Membership and Meetings of the Committee:

- 3.1 The Committee was chaired during 2019/20 by Councillor Mark Brain. The Committee comprised of nine members - the Chair and Councillors Clive Stevens (Vice Chair), Liz Radford, Olly Mead, Christopher Jackson, Harriet Clough and Nicola Bowden Jones, with independent members, Adebola Adebayo and Simon Cookson. .
- 3.2 The Committee met formally on six occasions during 2019/20. All meetings were quorate. The meeting on 16 March 2020 was affected by the Coronavirus (Covid-19). Whilst the meeting occurred, many members were unable to attend (marked with \* in the table below) and only papers for decision were considered. Queries in relation to all other papers were considered off-line via email to officers.

Table 1- Audit Committee Attendance 2019/20:

Member	No. of Meetings Held	No. of Meetings Attended	% of Meetings Attended (sub)
Mark Brain (Chair)	6	5	83%*
Clive Stevens – Vice Chair	6	6	100%
Olly Mead	6	6	100%
Liz Radforth	6	5	83% (67%)
Nicola Bowden-Jones	6	1	17%
Harriet Clough	6	5	85%*
Christopher Jackson	6	6	100%
Adebola Adebayo	6	5	83%*
Simon Cookson	6	5	83%*

- 3.3 In addition to the Committee Members, the Section 151 Officer, Chief Internal Auditor, Deputy Chief Internal Auditor, Monitoring Officer, representatives from the External Auditors (Grant Thornton) and other officers, as appropriate, attended Committee meetings.
- 3.4 A total of forty five reports were considered during the year, the details of which are provided in Appendix 1. Additionally, at each meeting, the Committee's work programme was reviewed for continued relevance and progress against actions required by the Committee was monitored.
- 3.5 In addition, the Value and Ethics Committee (a subcommittee of the Audit Committee) has met twice to consider an update on Member Development, Working with outside bodies and Honorary Alderman nomination. This subcommittee is chaired by one of the independent members, Adebola Adebayo.

#### 4. The Work and Activity of the Audit Committee in 2019/20:

- 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:

Area	Papers Considered to Enable Oversight
Internal Control Environment	<ul style="list-style-type: none"> <li>Internal Audit Activity Reports. These were provided throughout the year and included a summary of assurance opinions and executive summaries of audit reports with limited assurance opinions.</li> <li>Internal Audit Annual Report, including annual opinion.</li> <li>Local Government Ombudsman Report</li> <li>BCC Wholly owned Companies Audit &amp; Assurance Arrangements</li> </ul>
Corporate Risk Management	<ul style="list-style-type: none"> <li>Risk Management Arrangements and Policy</li> <li>Quarterly Corporate Risk Reports;</li> <li>Reports on a specific Corporate Risks. Asbestos Management, Infrastructure, Flood Risk Management</li> <li>IT Transformation Programme</li> </ul>
Regulatory Framework	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> <li>Annual Governance Statement Action Tracker.</li> <li>Constitution Updates</li> <li>Annual Review of the Effectiveness of the System of Internal Audit</li> <li>External Inspection Reports</li> <li>Audit Committee Half Year Report</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>Internal Audit Charter and Strategy.</li> <li>Internal Audit Plan 2019/20. Amendments to the Plan.</li> <li>Internal Audit Activity and Performance Reports..</li> <li>Internal Audit Quality Assurance and Improvement Programme.</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>External Audit Planning and Update Reports</li> </ul>
Financial Reporting	<ul style="list-style-type: none"> <li>Annual Statement of Accounts –for 2018/19</li> <li>External Audit ISA 260 Report.</li> </ul>
Treasury Management	<ul style="list-style-type: none"> <li>Treasury Management Annual Report and Half Year Update Report</li> </ul>
Members Conduct	<ul style="list-style-type: none"> <li>Member Officer Protocol</li> <li>Member Code of Conduct</li> <li>Members Code of Conduct for Development Control Committees</li> <li>Members Code of Conduct for Licensing Committee and Public Safety and Protection Committee</li> </ul>
Anti-Fraud Arrangements	<ul style="list-style-type: none"> <li>Internal Audit – Counter- fraud reports and Internal Audit Activity Reports.</li> </ul>

Area	Papers Considered to Enable Oversight
	<ul style="list-style-type: none"> <li>• Whistleblowing Arrangements</li> </ul>

4.2 For the first time this year, the Committee introduced an in year report to Full Council of issues identified from its work during the first half of the year. The aim was to provide Council with early sight of emerging issues.

**Key Messages from the work of the Committee:**

Internal Control Environment:

4.3 The Committee received an Annual Report from Internal Audit at the start of the municipal year in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS). This concluded that, based on the work carried out by Internal Audit, only limited assurance could be provided that the Council’s internal control environment was effective. This was the third consecutive year of ‘limited assurance’ being reported by Internal Audit and as such was included as a significant governance issue in the Annual Governance Statement for 2018/19.

4.4 The Committee has monitored this situation via regular reports from Internal Audit. Officers responsible for areas where limited assurance was concluded during the year were requested to attend Committee to provide further assurance on the progress being made in implementing the agreed management actions and whether there were improvements resulting from actions being taken.

4.5 In addition, the Committee was pleased to learn that the new Chief Internal Auditor (appointed July 2019), in agreement with senior management has implemented a number of new approaches that should support enhanced engagement of managers across the organisation to improve the control environment. In addition to revising the assurance opinions to align them to annual reporting, Internal Audit has been working with senior management to resolve and close outstanding improvement actions. In February 2020, 76% of actions outstanding from 2017/18 and 2018/19 had been closed with management prioritising the remainder. The Internal Audit team has also implemented a new management system that should enhance the effective follow up, monitoring and reporting of agreed management actions.

4.6 In noting the Chief Internal Auditor’s annual opinion, the Committee will continue to support Internal Audit in its work to ensure control weaknesses are effectively dealt with and the current momentum in improving the Council’s internal control, governance and risk management is sustained.

Risk Management:

4.7 The Committee has received a report from the Council’s Risk and Insurance Manager detailing the progress being made to embed risk management at the Council. The Risk and Assurance Policy was received and reviewed by the Committee and the quarterly corporate risk reports are now routinely examined by the Committee. In addition, the Committee selects a sample of the corporate risks for a more detailed review to gain assurance that adequate arrangements are in place to manage the risks. In 2019/20, risks selected were in relation to Infrastructure, asbestos management and flood risk. Relevant officers provided reports and attended Committee meetings to respond to questions about the effectiveness of risk mitigations.

- 4.8 The Committee has also received a number of assurance reports from Internal Audit regarding the risks relevant to the IT Transformation Programme management and invited the Programme Senior Responsible Officer to Committee to assure them that actions are in place to address the matters identified.
- 4.9 From this work, the Committee has been able to gain assurance that risk management arrangements continue to develop and embed at the Council. The Committee will continue to support improvements required to risk management by challenging arrangements and risk areas where they feel risk is not being adequately managed.

#### Regulatory Framework:

- 4.10 The Annual Governance Statement is a key consideration for the Committee each year. It outlines the governance arrangements at the Council and aims to conclude on how effectively those arrangements have been operating. The Committee considers the Annual Governance statement to ensure it is reflective of the arrangements and identifies any significant governance issues. The Committee is assured by the review process and has approved the 2018/19 Annual Governance Statement as a fair reflection of the Council's governance arrangements.
- 4.11 The Statement for 2018/19 identified that a number of key governance systems were not operating soundly and the Committee have monitored progress in these areas.

#### Internal Audit Arrangements:

- 4.12 The Internal Audit Team is a key and independent source of assurance for the Audit Committee and the Council. During 2018/19 and 2019/20, the team have implemented an improvement plan to ensure they are well positioned to deliver a work programme focussed on the Council's key risks. The team have experienced a number of vacancies both during and after a restructure but have reviewed work programmes to ensure they remain in a position to provide appropriate assurance. The Audit Committee is therefore monitoring via update reports at each meeting, that the team is resourced to be fit for purpose in providing assurance to management and the Committee. The review of internal audit effectiveness by the Council's Section 151 Officer gave the Committee assurance that the Internal Audit Service is operating as expected.

#### External Audit and Sign off of Financial Statements for 2018/19:

- 4.13 The Committee is required by its terms of reference to consider the External Auditor's report in advance of its signing off the Council's Financial Statements within the required statutory deadlines.
- 4.14 The audit of the Council's financial statements was delayed and as such the statements were signed off outside of the statutory deadlines. It is understood that many Councils were in a similar situation following new audit arrangements. In Bristol, the delay was also due to handover issues from the council's previous auditors, the complexity of the Council's operations and then post balance sheet events concerning decisions made by Cabinet regarding Bristol Energy Company and the Covid-19 pandemic. The accounts were however finally signed in June 2020 following the Committees review.

#### Counter Fraud Arrangements and Whistleblowing:

- 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.

4.16 Whilst the Committee is assured that the Council's counter fraud and corruption arrangements are fundamentally sound, there is an ongoing concern regarding the effectiveness of whistleblowing arrangements. The Committee has received assurance from management that arrangements are being reviewed to address this and new arrangements will be effective from 1<sup>st</sup> April 2020 with responsibility transferring to internal audit. The Committees work programme will include in year monitoring of these arrangement via Internal Audit reports as well as an annual independent review of the effectiveness of arrangements moving forward.

#### Summary:

4.17 In summary, the Committee has met its terms of reference in this municipal year. 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. This report provides sight of areas where that is not the case. All matters in this report will be monitored by the Committee into 2020/21.

### **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. Training received by the Committee during 2019/20 focussed on key complex financial matters as follows:

- Statement of Accounts – Officer and External Auditor perspectives
- Treasury Management

5.2 A workshop to enable the Committee to review its effectiveness against the good practice checklist was cancelled due to Covid-19 but will be planned for 2020/21.

5.3 Members development needs going forward have been identified as follows and development activity will be programmed to ensure Members receive this going forward:

- Local Authority Governance
- Audit Committee Role and Effectiveness
- Risk Management
- Statement of Accounts
- Treasury Management
- Partnership Governance

### **6. Priorities for 2020/21**

6.1 Looking forward, the Committee will strive to enhance the assurances it can provide by:

- Understanding the impact of the Covid 19 pandemic on the Council and assuring the Council's response to that. New and significant risks to the Council as it moves into recovery phase will need to be effectively managed and the Committee will focus on arrangements to do so.
- Developing a programme of training and development designed to ensure the Committee is well placed to independently challenge and assure the Council's risk

management, governance and internal control arrangements on behalf of the Council and management.

- Regularly reviewing its work programme and managing its meeting agenda to maximise the focus on key assurance requirements
- 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.

## **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 I would like to thank my fellow Committee members and Officers for their support in enabling the Committee to achieve its objectives in 2019/20.

## **Appendices:**

Appendix 1 – Reports considered by the Audit Committee in 2019/20