

AUDIT COMMITTEE



**ANNUAL REPORT
2015 - 16**

Foreword:

Introduction by Chair of Audit Committee

This report provides an overview of the Audit Committee's activity during the municipal year 2015 - 16.

I am pleased to report that the Committee has continued its vital work in providing independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance. It does this in a non-political way because it is only by being apolitical that the Audit Committee can really be effective.

The importance of governance, risk management and strong controls being embedded in the regular business of the Council must not be underestimated and as such the Audit Committee have provided support for this by focussing on the key areas.

The Committee is gratified to note that work has continued throughout the year to further strengthen the Control, Risk and Governance environment within the Council. It has been particularly encouraged that a number of the Annual Governance Statement issues raised in the 2014/15 Statement have now been resolved to a level where they are no longer considered significant. Additionally, a number of the issues whilst not having been fully resolved at this time are clearly on their way to full resolution. However, there is still no room for complacency and the Committee would urge the Council to continue the improvements into the next financial year and beyond.

2015 was Bristol's European Green Capital year and the Committee received a number of progress reports from Bristol 2015 Ltd, the Company set up to administer the funds, projects and programmes which ran throughout the year. The Committee were of the opinion that the governance arrangements within Bristol 2015 were satisfactory overall but that these arrangements were insufficiently transparent, particularly in the early stages, and this led to controversy. The Committee felt that companies set up by Bristol City Council in the future should learn lessons from the experience of Bristol 2015.

The Chair and independent members have welcomed a number of new members to the Committee, including new councillors. This refresh of membership has provided a good opportunity to revisit a number of areas which the longer serving members may have taken for granted.

As outlined in the body of this report, the Committee has been actively engaged with the Chief Internal Auditor(s) and with the External Auditors, both the outgoing– Grant Thornton and the incoming BDO LLP. I would like to take this opportunity to thank the officers from Grant Thornton for all their help and support over the years and to welcome BDO LLP whom the Committee look forward to working with in the future. I would also like to thank those who served on the Committee during 2015/16. Of course my thanks go to my fellow councillors of all parties who sit on the committee and bring a wealth of experience with them but particular thanks go to the two independent members who serve on the committee providing us with their expertise as well as their independent voices. My thanks also go

to the Council officers who have supported the work of the Committee and have been especially supportive to me in my role as Chair. Lastly I would like to extend my thanks to the Deputy Mayor, Councillor Geoff Gollop who despite being under no obligation to attend Audit Committee meetings has attended regularly, listening to the views of members and engaging constructively in discussion.

In looking forward to 2016 - 17 and beyond, and given both the continued financial pressures and the internal changes facing the Council, the importance of an effective Audit Committee remains critical in providing independent assurance on the control, risk and governance framework and challenging where this environment is in need of improvement. Along with my fellow members I look forward to meeting those challenges.



Councillor Mark Brain
Chair, Audit Committee

Index

	Page
1 Terms of Reference	5
2 Audit Committee Effectiveness and Impact	6
3 Assurances	7
<ul style="list-style-type: none">• Risk Management• Annual Governance Statement (AGS)• Internal Audit Assurance• External Audit Assurance - Governance and Statement of Accounts• Anti-Fraud and Whistle-blowing• Corporate issues• Member Standards Matters	
4 Looking Forward	13
5 Independence	13
6 Training and Development	14
7 Conclusion	15

1 TERMS OF REFERENCE

1.1 The City Council has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

1.2 Full Council has delegated the following functions to the Audit Committee:

Duty to review and consider the effectiveness of the Council's system of internal control and approve the annual governance statement; review and consider the effectiveness of the Council's internal audit, consider and approve the statement of accounts (Accounts and Audit (England) Regulations 2015).

1.3 Promoting and maintaining high standards of conduct by Members and co-opted Members. The Committee is required specifically to advise the Council in respect of:

- the adoption or revision of the Code of Conduct for Members and any associated Codes or Protocols
- advice and training for Members on the Code of Conduct
- considering and determining any allegations of misconduct by a Councillor if the Monitoring Officer requests assistance
- considering nominations made by Group Whips for the conferring of the title 'honorary alderman' and 'honorary alderwoman' and making recommendations to Full council thereon
- to monitor the register of Members' interests.

1.4 The Committee's Terms of Reference were, for 2015/16, to provide independent assurance to the Council in relation to:

the effectiveness of the Council's governance arrangements, risk management framework and internal control environment including overseeing:

- risk management strategies
- anti-fraud arrangements
- whistleblowing strategies
- Internal and External Audit activities
- the effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control
- the Annual Governance Statement
- the review and approval of the annual statement of accounts, confirming the appropriate accounting policies have been followed, including the external

auditor's report to "those charged with governance" on issues arising from the audit of the accounts

- In accordance with the Public Sector Internal Audit Standards, the Committee must also have involvement with:
 - the appointment/dismissal of the Chief Internal Auditor
 - monitoring the performance of the Chief Internal Auditor

1.5 The Committee has continued its responsibility for monitoring Treasury Management which encompasses the following:

- Receiving, reviewing and challenging quarterly and annual reports
- Reviewing, commenting and challenging the Treasury Management Strategy before it is agreed by Full Council.

Please see paragraph 3.25 for further details.

2. AUDIT COMMITTEE EFFECTIVENESS AND IMPACT

2.1 Effective audit committees can bring many benefits to local authorities including:

- increasing public confidence in the objectivity and fairness of financial and other reporting
- providing additional assurance on the robustness of the Authority's arrangements through a process of independent and objective review
- raising awareness of the need for internal control and the implementation of audit recommendations, reinforcing the importance and independence of internal and external audit and other similar internal and external review processes.
- providing support and challenge to Director of Finance in providing sound financial management

2.2 The Audit Committee's activities have been designed to provide assurance to the Council and to make a positive contribution towards improvement of the governance arrangements across the Council. Details of the work programme are attached at Appendix A and the benefits achieved in each area are detailed in the remainder of this report, however in summary the Committee has actively participated in the following areas throughout the year:

- Challenging of officers with regard to the control and governance framework within the Council
- Review and challenge of the Annual Governance Statement and monitoring of the actions taken to address the significant issues identified in that Statement.
- Monitoring the Corporate Risk Register and challenging the improvements therein
- Working closely with the External Auditor in overseeing the Council's financial statements
- Matters concerning Members, including Code of Conduct and disclosures

where appropriate

- The adequacy of the Internal Audit function including resourcing
- Monitoring and challenging Fraud prevention, detection and subsequent investigation
- Receiving an update on the Information Security Strategy
- Receiving and recommending to Council the Treasury Management Strategy and receiving update reports as appropriate
- Consideration and challenge of the Council's new system for dealing with Complaints, Freedom of Information Requests and Compliments
- Considering a number of reports on the governance arrangements in place at Bristol 2015
- Considering partnership risks, governance and value for money.
- Receiving and challenging reports on the Markets Financial Operations and the application of the Markets Charter.
- Considering a report on the MetroBus Value for Money and Funding
- Considering the Code of Practice for wholly owned Trading Companies

- 2.3 In accordance with the International Standards of Auditing (ISA) 260, the External Auditor, Grant Thornton, presented the Audit Committee with their Annual Report to those charged with Governance for 2014-15. Their report highlights the key issues arising from the audit of the Council's financial statements, and states they have nothing to report in terms of the annual governance statement not complying with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.
- 2.4 The Committee has maintained a varied and yet targeted work programme over the past year in that it has challenged areas where concerns have been raised whilst maintaining an understanding of the overall control, risk and governance environment within the Council, as such it has met its terms of reference requirements.
- 2.5 The Committee has been assessed against the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on Audit Committees' 'Good Practice' checklist to ensure it operates in line with generally accepted practices. The results of the self-assessment have been used to inform the Committee's work programme going forward and identify areas where there is a training need. A copy of the checklist is attached to this report for information. (Appendix B)

3. ASSURANCES

Risk Management

- 3.1 The Committee have received the Corporate Risk Register (CRR) as a full agenda item on two occasions during the year. Work on refreshing the directorate risk registers in line with the CRR format and risk matrix has been completed during the year with the appropriate Scrutiny Commissions monitoring the directorate risk registers periodically throughout the year and the Committee receiving the Registers as information items annually.

- 3.2 The Committee has continued to scrutinise the Corporate Risk Register in order to ensure it is as informative as possible without losing the strategic overview of key risks faced by the Council and the necessary actions to mitigate those risks. The Committee has monitored the implementation of actions by their target date and challenged those that have slipped.
- 3.3 In conclusion, the Committee has praised the work of Internal Audit and officers on the Corporate Risk Register in that it is now a fair reflection of the strategic risks the Council faces. It has also praised the revised layout of the Register stating it is easier to understand and monitor progress. The Committee recognises the work that has been completed on the directorate risk registers and the fact that they are now aligned with the Corporate Risk Register risk matrix.
- 3.4 Moving forward and to enable real time updates to be made to the register, the CRR will in future be available to officers on the Extended Leadership Team via Alfresco – the Councils document sharing software. Risk or mitigation owners will be able to update the register as and when necessary to ensure an up to date ‘draft’ register is available at all times across the management team.

Annual Governance Statement (AGS)

- 3.5 In order to ensure effective internal control systems have been established and are maintained, and as an integral part of the Annual Governance Statement, the Committee has continued to receive reports on the control framework and how the annual review and assurance process is conducted.
- 3.6 The annual review of the AGS is currently in progress, and the Committee is satisfied it is a robust review process.
- 3.7 The Committee is pleased to note that a number of the matters raised in the 2014/15 Statement have now been resolved and that the resolution of matters arising in the 2015/16 Statement has generally progressed well. The Committee received regular updates on the AGS Action Plan throughout the year and noted that a number of matters had progressed to a point that they were no longer considered a significant governance risk and as such were removed from the action plan. The Committee acknowledges that although these items are no longer on the action plan, Internal Audit continue to maintain a watching brief on the matters identified to ensure improvement continues.
- 3.8 The Committee also received an Internal Audit report on the Financial Governance arrangements in place for the Change Programme which was recognised as a significant matter in the AGS. The report concluded that the financial governance arrangements are acceptable. This outcome coupled with the good outcome from the previous Governance review has resulted in the Change Programme being removed from the AGS action plan as it is no longer considered a significant governance risk; however the Committee acknowledge that the Change Programme continues to be a strategic risk and will therefore remain on the Corporate Risk Register.
- 3.9 In line with best practice, and recommendations from CIPFA and the Society of

Local Authority Chief Executives (SOLACE) in relation to Governance, a Code of Corporate Governance was developed in 2008/9. The Code will be subject to a fundamental review now the all-out elections have taken place. The review will also take account of the revised guidance as provided by CIPFA/SOLACE which came into effect in April 2016.

Internal Audit Assurance

- 3.10 Internal Audit is a key source of assurance for both Members and officers on the effectiveness of the control environment. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.
- 3.11 The Committee has received regular reports and information from the Chief Internal Auditor including:
- Internal Audit's risk based planning methodology and annual plans which were approved by the Committee in June 2015, together with the draft Internal Audit plan for 2016/17 giving the Committee the opportunity to consider the areas for inclusion before the plan is finalised.
 - Periodic update reports detailing Internal Audit's activity, performance against targets and areas where the control environment needs attention.
 - An annual Fraud Update report detailing the fraud/irregularity and Value for Money work which has been undertaken on the Council's behalf and the outcomes there of.
 - An Annual Report from the Chief Internal Auditor, in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS), which provided an opinion on the control environment and the effectiveness of proactive anti-fraud work undertaken.
 - The extent to which Internal Audit recommendations have been implemented. 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
 - A final Annual report for 2014/15 on the work of Housing Benefit Fraud Investigation Team, with update on the ongoing work by the Internal Audit Investigation Team provided in the annual fraud update report and as part of the Internal Audit periodic reports.
 - The Committee also received an Internal Audit report on the Council's compliance with the Transparency Code 2015 and were pleased to note that the Council complied with the information that must be provided and with a number of areas where providing the information was optional.

3.12 Receipt of the above reports has enabled the Committee to draw conclusions regarding:

- independence and objectivity
- approach and performance against targets set
- compliance with professional standards of Internal Audit as defined by CIPFA guidance
- staffing resources in respect of numbers and skills
- the working relationship between Internal and External Audit
- the extent to which Internal Audit support the work of the Committee

3.13 Overall, the Committee is able to provide the Council with assurance that an adequate and effective internal audit service is in place, however the Committee have maintained a watching brief on the resourcing level within the Internal Audit service giving consideration to the limited resource that was in place during the year. The Committee are pleased to note that the team is now fully resourced and would like to pass on their thanks to the team for maintaining an adequate level of assurance despite their fluctuating resource during 2015/16.

External Audit Assurance - Governance and Statement of Accounts

3.14 External Audit (EA) is an essential part of the process of accountability for public funds, providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management as well as arrangements for securing economy, efficiency and effectiveness across the Council. Working closely with Internal Audit, the External Audit programme ensures that statutory responsibilities are delivered, without duplication of audit work. The Committee has reviewed both programmes to ensure this is the case.

3.15 Assurance received from the External Auditors, Grant Thornton, for 2015/16, is detailed in the work programme. Most significantly, the External Auditor's governance report (ISA 260) summarises conclusions from their audit work and provides their statutory opinion on the accounts and the Council's arrangements for achieving value for money. The EA reported an unqualified opinion for both the annual review of the Statement of Accounts for 2014/15 and the Value for Money conclusion.

3.16 The Committee also received the EA's Annual Audit Letter for 2015/16 in November 2015 which together with concluding an unqualified opinion on both the annual accounts and the Value for Money conclusion also concluded:

- that the Council's consolidation pack in support of the Council's Whole of Government Accounts submission was consistent with the audited financial accounts.

Additionally, the Committee received the EA's annual grant certification letter in January 2016, the letter concluded that one return relating to Housing Benefit for

financial year 2014/15 had been certified, there were however a number of matters arising which were discussed during the meeting and addressed by Council officers.

- 3.17 From its work to date, the Committee is not aware of any areas of significant duplication or omission in the systems of governance in the authority which have not been adequately addressed.
- 3.18 The Committee said goodbye to the current external auditor – Grant Thornton and welcomed BDO LLP during the municipal year. The BDO LLP contract is for three years starting from the 2015/16 financial accounts. The Committee has received an overview of the new EA's work programme for the coming year.
- 3.19 Local Public Audit Bill– the Committee continue to maintain a watching brief on the implementation of this bill and the ultimate effect it may have on the external audit provision within the Council in that it received a report for information at its March 2015 meeting. It was noted that the Council will need to have appointed its external auditor by December 2017 in order for them to be in place to begin their engagement in April 2018, but that the arrangement for a possible sector-led option is still in the early stages.

Anti-Fraud and Whistle-blowing

- 3.20 Countering fraud and corruption is the responsibility of every Member and officer. The Audit Committee's role in this area has been to oversee, monitor, support and enable effective actions to be taken to counter fraud. In doing so, the Committee has continued to receive reports from the Chief Internal Auditor in respect of fraud and irregularities investigated by the Internal Audit Investigations team and proactive fraud work undertaken in respect of exercises such as the National Fraud Initiative (NFI) and Tenancy Fraud Initiative.
- 3.21 In January 2016 the Committee considered a Fraud Update report, presented by Internal Audit, providing information on the current developments in respect of fraud against the public sector and how the Council is responding to them. The report included the outcomes from a number of assessments in good practice with regard to the prevention, detection and investigation of Fraud. The checklists completed were:
- The European Institute for Combatting Corruption and Fraud' (TEICCF) Check list
 - CIPFA's Counter Fraud Assessment Tool

The assessments identified a few matters which required attention and these were dealt with immediately, including an amendment to the Council's Anti-Fraud, Bribery and Corruption Strategy and Policy which was approved by the Committee at its January 2016 meeting.

- 3.22 The Committee recognise that the work of Internal Audit on Tenancy fraud has continued successfully during 2015/16. The number of properties recovered in 2015/16 is 47 which represents not just a saving to the Council in terms of the cost of short term accommodation for displaced families, but also a message to the

citizens of Bristol that the Council supports the families and communities within Bristol in ensuring that those in greatest need receive assistance. The Committee are aware that despite funding for this exercise having ceased at the end of 2014/15, Internal Audit have continued to provide this service with the assistance of other services within the Council.

- 3.23 The Committee noted that the internal audit service continue to provide the Single Point of Contact (SPOC) for the Department of Work and Pensions Single Fraud Investigation Service (SFIS) with regard to Housing Benefit (HB) Fraud. Although all HB fraud is now investigated by SFIS the Council remains responsible for administering Housing Benefit and for providing information to SFIS on suspected fraudulent claims.
- 3.24 The Council's anti-fraud arrangements are generally in line with best practice with just a few areas identified for improvement. The Council understand the fraud threats it faces and works proactively to tackle the issues. The Council accepts that fraud will happen, particularly in the current climate, and where it does it reacts accordingly.

Member Standards Matters:

- 3.25 The Committee have considered matters appertaining to Members including:
- Appointment of Honorary Aldermen/Women
 - Consider applications for dispensations

In the matter of recommending the appointment of Honorary Aldermen/Women the Committee have commissioned a criterion to be drawn up so that all applications are considered in an equitable manner, removing the subjective element from the decision.

Although the Committee retains responsibility for Member conduct issues should the Monitoring Officer deem that it needs to become involved, no matters have been brought to the Committees attention, all issues having been dealt with by the Monitoring Officer and the Independent Member for Standards.

Treasury Management

- 3.26 The Committee have considered and where appropriate actively challenged the following reports with regards to treasury management:
- Quarterly update reports
 - Annual Strategy Report and Practices

The Committee consider that Treasury Management is satisfactory within the Council.

4. LOOKING FORWARD

4.1 During the coming year the Committee will further develop the assurances it is able to provide, and its contribution to an effective control framework by continually reviewing the Work Programme to ensure that it maximises its contribution to the governance and control framework, at the same time practicing agenda management in order to ensure that all meetings are equally productive without losing sight of the key issues. The work programme that in addition to consideration of statutory and other key items as “those charged with governance” incorporates:

- topics brought forward from earlier years:
 - Financial governance – monitoring improvements in transactional processes and the launch of a revised Financial Regulations and Scheme of Delegations.
 - Risk Management – continue to support and challenge the risk management arrangements within the Council and the mitigation of the risks there of.
 - Overseeing Members Standards, reviewing policies and procedures
 - Information Security/Strategy
 - Appointment of External Auditor in accordance with the Local Public Audit Bill
 - Treasury Management annual and quarterly update reports.
 - Customer Relations – report on the how the new system is impacting on response times and lessons learnt.
 - Partnerships – methodology for monitoring Risks/Opportunities and Value for Money

- New Areas
 - Commissioning Governance – as the Council increases its provision of service through commissioning/partnership the need for effective governance in this area continues to be important
 - Business Continuity Planning – impact of changes in working practices and business locality.
 - Monitoring the performance of the Trading Companies

5. INDEPENDENCE

5.1 In 2015/16 the Audit Committee's membership was:

- Councillor Brain (Chair)
- Councillor Alexander
- Councillor Hopkins
- Councillor Means
- Councillor Mead

- Councillor Thomas
- Ken Guy - independent member (Vice Chair)
- Brenda McLennan - independent member

5.2 The CIPFA best practice guidance suggests the need for independence of the Audit Committee, however some members of the Committee have continued to benefit from their involvement with the Business Change Scrutiny Commission, in that they have gained an understanding of the performance, financial and otherwise, of the City Council and issues around risk management, control and governance.

5.3 To assist in preserving the Committee's independence and provide a clear distinction between the Audit Committee and Scrutiny Commission roles, other measures have continued, including:

- the appointment of independent members from outside the City Council for four-year terms, one of whom is currently serving as Vice Chair
- the Chair of the Audit Committee and the Chair of the Business Change Scrutiny Commission are different Members
- ensuring clarity about the terms of reference for both the Audit Committee and the Scrutiny Commissions, to ensure a clear distinction in the roles.
- The appointment of an independent member who deals solely with matters appertaining to Member standards and code of conduct.

6. TRAINING AND DEVELOPMENT

6.1 In order to be effective, members of the Committee have recognised that, when serving on the Committee, they should be apolitical and objective, and have a clear understanding of risk management, internal control and governance issues, and how the arrangements in place across the City Council operate.

6.2 A training session on the Statement of Accounts for 2014/15 took place in July 2015 and was hosted by the then external auditor's Grant Thornton, having an externally hosted session resulted in more focus on the mechanism of the annual accounts without resorting to the specific detail of Bristol City Council's accounts. A further refresher will be provided, by the new EA for Members in preparation for their consideration of the 2015/16 accounts.

6.3 The Committee participated in a workshop in April 2016, resulting in a collective assessment of the effectiveness of the Committee. The results of this assessment will be used to inform the training provision for Committee members and Council Members as a whole. The session also identified further governance areas for consideration by the Committee in 2016/17.

6.3 The Council's subscription to CIPFA's Better Governance Forum provides useful briefings for Audit Committees and these are shared with Members. Updates for 2015/16 have included:

- Financial Statements
- Audit Committee Effectiveness

Additionally, the briefings provide updates in governance matters and other hot topic areas relevant at the time of publication.

- 6.4 The training needs of the Committee members will be subject to on-going assessment, and training provided as required.

7. CONCLUSION

7.1 The Committee has demonstrated that it adds value to the Council's overall governance framework in that it has:

- Met the requirements under its terms of reference; in particular it has:
 - Provided robust and constructive challenge to the overall control and assurance environment of the Council.
 - Added value to the Risk Management process
 - Undertaken training in relevant areas as and when they have been identified.
 - Considered the governance within the Council's wholly owned trading companies.
- During 2016/17 the Committee will undertake to :
 - Continue to request officers to attend Committee meetings to aid in its understanding of the services and to aid in maintaining the momentum of ongoing improvements in the Risk, Control and Governance framework within the Council.
 - Assess its compliance against the CIPFA good practice guidance and act on the outcomes from that exercise;
 - Undertake continued training and development in relevant areas as and when they are identified.

8. Appendix:

- Appendix A – 2015/16 final Work Programme
- Appendix B – CIPFA 'Good Practice' checklist for audit committees.

Appendix A

AUDIT COMMITTEE WORK PROGRAMME 2015/16

Meeting Date	Report Author	Report Details
Friday 26 June 2015 9.30am	External Audit: Internal Audit: Legal:	Confirm dates and times of meetings Update Report Audit Plan 2015/16 Benefit Fraud Annual Report 2014/15 Members Standard items: None Information Items: <i>CIPFA - Audit Committee Update</i>
Friday 10 July 2015 9.30am	Finance: Internal Audit:	Training on Statement of Accounts (By GT) Draft Statement of Accounts 2014/15 Annual Report 2014/15 Draft Annual Governance Statement 2014/15 and Action Plan Update
Friday 25 September 2015 9.30am	Finance: External Audit: Internal Audit: Legal:	Final statement of Accounts 2014/15 Treasury Management - Quarter 1 Report MetroBus - Briefing on VfM and Funding ISA260 Report Final Annual Governance Statement 2014/15 and Action Plan Update Corporate Risk Register - Discussion (papers issued in advance) Members Standard Items: Information Items: Treasury Management 2014/15 Annual Report
Friday 27 November 2015 9.30am	External Audit: Finance: Internal Audit: Officer: Legal:	Annual Audit Letter Treasury Management - Mid-year Report Internal Audit Half-Year Report 2015/16 Transparency Code Compliance Markets Financial Operation - Further Update Bristol 2015 - Update Report Markets Charter Application Members Standard Items: Information Items: Directorate Risk Registers CIPFA Better Governance Forum Update.

Meeting Date	Report Author	Report Details
Friday 29 January 2016 9.30am	External Audit: Finance: Internal Audit: Officer: Legal:	2014/15 Grants Report Treasury Management - Strategy Report and Practices Fraud Update (Incl. Tenancy Fraud Initiative) Corporate Risk register - Update Change Programme - Financial Benefits Realisation Governance Annual Governance Statement Action Plan - Update Customer Relations Update on effectiveness of new system Traded Companies - Code of Practice Member Standard Items: Information Items: <i>Place Directorate Risk Register</i>
Friday 11 March 2016 9.30am	Internal Audit: External Audit: Officer:	Audit Committee Effectiveness Review Quarter 3 Update Audit Approach/Planning Letter 2016/17 Bristol 2015 - Year-end Report Information Items: Update on Local Audit Bill
Friday 29 April 2016 9.30am	Internal Audit: Finance: Officer: SIRO: Markets Legal:	Audit Committee Effectiveness Workshop Draft Audit Committee Annual Report to Council 2015/16 Risk Management Annual Report Draft Annual Governance Statement 2015/16 and Updated Action Plan Annual Plan for 2016/17 Accounting Policies Partnerships - Risk/Opportunities - Value for Money Information Security Strategy - Update Final Markets Report Member Standard Items: Information Items:

Evaluating the Effectiveness of the Audit Committee

Assessment key

- 5 Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 No evidence can be found that the committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	2015/16 Self evaluation	2015/16 Overall assessment: 5:1 (see key above)
Promoting the principles of good governance and their application to decision making.	Providing robust review of the AGS and the assurances underpinning it.	The Committee received the final AGS for 2014/15 and the draft for 2015/16 in this municipal year.	5
	Working with key members/governors to improve their understanding of the AGS and their contribution to it.	The Committee actively promote governance to other members as well as participating in governance workshops	4
	Supporting reviews/audits of governance arrangements	The Committee support the inclusion of the status of the governance framework in all Internal Audit reviews as well as requesting targeted governance reviews such as the review of the Financial Benefits realisation governance within the Change Programme. And updates on the Markets Operations.	5
	Participating in self assessments of governance arrangements.	The Committee participated in a self-assessment workshop on Governance and the Committee's effectiveness.	5
	Working with partner audit committees to review governance arrangements in partnerships	The Committee have not had the opportunity to join with other Audit Committees in this municipal year.	1
Contributing to the development of an effective control environment's	Monitoring the implementation of recommendations from auditors	The Committee receives regular updates on the implementation of recommendations from both the Internal and External auditors and has utilised its call-in option where recommendations have not been implemented. (Markets)	4
	Encouraging ownership of the internal control framework by appropriate managers	The Committee has received regular presentations from responsible managers for areas which it has deemed of concern to the control environment.	5
	Raising significant concerns over controls with appropriate senior managers.	As above	N/A
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking.	The Committee provides scrutiny and challenge for the Corporate Risk Register (CRR) which it formerly reviews every 6 months. The Committee also maintain a watching brief on Directorate risk registers, which they receive as information items once they have been cleared by Directorate Scrutiny Commissions.	5
	Monitoring improvements	The Committee provide a robust challenge mechanism to the CRR and as such the CRR has continued to improve.	5
	Holding risk owners to account for major/strategic risks	Risk owners are actively challenged by the Committee during the CRR review process.	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps in overlaps in assurance.	The Committee's work programme is collated in consultation the the Internal and External auditors whilst taking into account the work of other committees such as Scrutiny, in order to ensure duplication does not occur.	4
	Seeking to streamline assurance gathering and reporting.	The Committee has regularly challenged the resource level within Internal Audit and has maintained a watching brief on the work of the Audit Service throughout the year.	4
	Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.	The Committee receives regular reports from both the Internal and External auditors. Both provide the Committee with their annual work programmes for scrutiny and challenge.	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	2015/16 Self evaluation	2015/16 Overall assessment: 5:1 (see key above)
Supporting the quality of the Internal Audit activity, particularly by organising its organisational independence.	Assessing the effectiveness of Internal Audit arrangements and supporting improvements	The Committee have received update reports on the Internal Audit provision and have utilised these to assess the effectiveness of the Internal Audit service, including the level of resource and audit coverage.	4
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.	The Committee has received and Internal Audit report on the Financial Benefits Realisation governance within the overarching Change Programme. The Committee also maintain a watching brief on key programmes through it review of the Corporate Risk Register.	4
	Reviewing the effectiveness of performance management arrangements.	This function is carried out by the Scrutiny Commissions.	N/A
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurance received by the audit committee.	A large proportion of the Vaule for Money assurance is monitored by the Scrutiny Commissions, however the Committee maintain a watching brief whilst also identifying areas for particular consideration. VfM in partnership working was considered at the April 2016 meeting.	3
	Considering how performance in value for money is evaluating as part of the AGS	The Committee scrutinise the AGS process and subsequent final statement which takes consideration of the Council's achievement of Value for Money.	3
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's Management the Risk of Fraud (Red book 2).	The Committee receive an annual Fraud update which provides the outcomes from an annual review of the Council's fraud arrangements against relevant fraud checklists and key indicators.	5
	Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.	The Committee review fraud risk as part of the annual review as detailed above, as well as taking reports through out the year from the Internal Auditor on the pro-active and reactive fraud work.	5
	Assessing the effectiveness of ethical governance arrangements for both staff and Members.	The Committee retain responsibility for reviewing the behaviour of Members against the Members Code of Conduct, with an independent member appointed to deal with any issues considered to need independent review. The Committee relies on its Internal Audit service to provide assurance regarding the behaviour of staff which is adjudged against the Council's Code of Conduct for Employees.	4
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.	The Committee actively support the need to ensure that reports are not made inaccessible due to the language/terminology used, challenging reports where the language and terminology impinges on the transparency of the published information.	3
	Reviewing whether decision making through partnership organisations remains transparent and publicly assessable and encouraging greater transparency.	The Committee's default stance is that all reports should be available in the public domain, with exemption only applied where the information is either commercially or personally sensitive. The Committee will actively challenge where a report has been exempt but could have been considered in public session.	3