



# **BRISTOL CITY COUNCIL**

## **AUDIT COMMITTEE**

**ANNUAL REPORT  
2020-21**

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 2020/21, which are detailed on the Bristol City Council website, 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. To support this, Political Party Leads do not sit on the Audit Committee and this is reflected in the Terms of Reference for the Committee.

## 3. Membership and Meetings of the Committee:

- 3.1 The Committee was chaired during 2020/21 by Councillor Mark Brain. The Committee comprised of seven members as indicated in the table below with two independent members, Adebola Adebayo and Simon Cookson. Councillor Stevens who was the Vice Chair resigned from his position as a councillor in January 2021 and therefore from the Audit Committee. Councillor Bowden Jones attended one meeting of the Committee and stepped back for reasons of proportionality of membership of the Committee.

3.2

The Committee met formally on eight occasions during 2020/21. All meetings were quorate. The coronavirus pandemic impacted the Committee in that it met virtually rather than face to face in line with government requirements for all committee meetings. This continued through the entire year of 2020/21 without having any significant impact on the Committee in the conduct of its business.

Member	No. of Meetings Held	No. of Meetings Attended	% of Meetings Attended (sub)
Mark Brain (Chair)	8	6	75%
Clive Stevens – Vice Chair	7	7	100%
Olly Mead	8	8	100%
Tim Kent	8	8	100%
Nicola Bowden-Jones	2	1	50%
Liz Radford (or sub)	8	3 (4)	24% (88%)
Christopher Jackson	8	8	100%
Adebola Adebayo	8	6	75%
Simon Cookson	8	8	100%

- 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-six 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. Public forum was also received at most meetings.
- 3.5 The Value and Ethics Committee (a subcommittee of the Audit Committee) met twice receiving reports detailing an external inspection of the Council's arrangements under the Regulation of Investigatory Powers Act, the Members Development Strategy and a report providing a summary of complaints about Councillors and outcomes from consideration of those complaints relating to the period January 2018 to March 2021. This subcommittee was chaired by one of the independent members, Adebola Adebayo.

#### 4. The Work and Activity of the Audit Committee in 2020/21:

- 4.1 The specific objectives of the Committee relate to overseeing arrangements in the following areas. 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 including summary of assurance opinions and executive summaries of audit reports with limited/no assurance opinions.</li> <li>Internal Audit Annual Report, including annual opinion.</li> <li>Response to Local Government Ombudsman Reports</li> <li>BCC Wholly owned Companies' Assurance Report</li> <li>Contract Management Arrangements Update.</li> </ul>
Corporate Risk Management	<ul style="list-style-type: none"> <li>Risk Management Annual Report and Improvement Plan</li> <li>Quarterly Corporate Risk Reports</li> <li>Senior Information Risk Officer Assurance</li> </ul>
Regulatory Framework	<ul style="list-style-type: none"> <li>Code of Corporate Governance Review</li> <li>Council Procedure Rules – Constitution Updates</li> <li>Procurement Rules Update</li> <li>Annual Governance Statement and progress tracker</li> <li>Access to Information</li> <li>External Inspections Reports Summary</li> </ul>
Internal Audit Effectiveness	<ul style="list-style-type: none"> <li>Internal Audit Quality Assurance and Improvement Plan incorporating the Internal Audit Charter and Strategy.</li> <li>Internal Audit Plan and subsequent amendments to the Plan.</li> <li>Internal Audit Activity and Performance Reports.</li> </ul>
External Audit Effectiveness	<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> <li>External Audit Value for Money Report</li> <li>Bristol Holdings Ltd Statement of Accounts.</li> <li>Bristol Energy Co and Statement of Accounts/Governance and Accountability</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>Lord Mayors Protocol</li> </ul>
Anti-Fraud Arrangements	<ul style="list-style-type: none"> <li>Internal Audit – Counter- fraud reports and Internal Audit Activity Reports.</li> <li>Whistleblowing Arrangements</li> </ul>

## **Key Messages from the Work of the Committee:**

- 4.2 As well as this annual report to Full Council, a half year report was provided on issues identified from its work during the first half of the year. The aim was to provide Council with early sight of emerging issues. This annual report captures key messages from the work of the Committee during the full year.

### Covid 19.

- 4.3 The pandemic has had a significant impact on all areas of the Council's work with redeployment of staff and policy and procedure updates to enable service delivery under emergency conditions. The Committee was assured by a report from the Chief Internal Auditor that gave reasonable assurance that the Council had and continues to respond effectively to the challenges brought by the pandemic.
- 4.4 The Council has to date distributed in excess of £145m in government business support grants. A programme of pre-payment fraud testing by the Council's Internal Audit Service has provided a level of protection from fraudulent applications whilst balancing that with the expedience with which grant support could be distributed to effectively support businesses.

### Internal Control Environment:

- 4.5 The Committee received an Annual Report from the Chief Internal Auditor at the start of the municipal year in line with best practice in the 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, governance and risk management arrangements were effective. Whilst the opinion was similar to previous years, the report noted that a positive trajectory was starting to emerge following improvement initiatives and increased collaboration between Internal Audit and Senior Management.
- 4.6 The Committee has monitored this situation via regular reports from Internal Audit. Officers responsible for areas where limited assurance was concluded by Internal Audit during the year were requested to attend Committee to provide further assurance on the progress being made in implementing the agreed management actions. These reports included re-assurances from officers about the improvements being made in the following areas:
- Procurement and contract management arrangements
  - Commercialisation Arrangements
  - Interims and Consultants
  - Records of Data Processing Activity
  - Adult Social Care Debt Recovery
  - Harbour Office Income
  - Ombudsman Responses
- 4.7 Additionally, the Committee has received assurance that processes have been strengthened to facilitate regular monitoring and reporting of improvement actions which will enhance assurance over continual improvement going forward.
- 4.8 The External Auditors Value for Money Report identified that arrangements were adequate 'except for' in respect of governance arrangements in relation to BE 2020 Limited (formerly, Bristol Energy Limited). The Auditors also commented that the Audit Committee should have had closer involvement with the issues relating to the Council's investment in BE during the year to enable them to discharge their role effectively.

#### Risk Management:

- 4.9 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 management arrangements continue to embed with good levels of engagement from the Executive, Extended and Directorate Leadership teams and routine quarterly review of Corporate Risk Reports. An Internal Audit review identified that whilst progress is being made in embedding risk management, there remained a body of work required to move further towards risk maturity as part of the Council's risk management journey.

#### 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 approved the 2019/20 Annual Governance Statement as a fair reflection of the Council's governance arrangements.
- 4.11 The Statement for 2019/20 identified a number of issues that had significantly impacted the Council's governance arrangements: Covid 19, in terms of the significant long term impact on delivery of the Council's objectives and challenges presented including the financial sustainability of the Council; Special Educational Needs and Disabilities (SEND) Practice and Procedure; the Bristol Energy Sale; and improvements required to Equality, Diversity and Inclusion. The Committee has tracked progress in managing these issues to ensure improvement actions were implemented.

#### 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 2020/21, the team were significantly impacted by Covid. The team suspended Audit work in the first quarter of the year to enable management to focus on response to the pandemic. During that time, and in recognition of historic problems with capacity and skills retention caused by market conditions in the profession, worked on changing the delivery model to an in-house team supported by a strategic partner for reach-back provision. This gives assurance that the team will be resilient and fit for purpose moving forward. The opportunity was also taken to implement an automated audit solution that should enhance management information and automate processes for tracking implementation of improvement actions.

#### External Audit and Sign off of Financial Statements:

- 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.
- 4.14 The Committee has approved the 2018/19 Statement of Accounts. The accounts were reviewed by the Committee on a number of occasions as the External Auditors' work progressed. Post balance sheet events concerning Covid 19 and the decision made by Cabinet regarding Bristol Energy Company meant the accounts were signed off in July 2020 following the committee's final review in June 2020.
- 4.15 The Committee has also reviewed the annual financial statements for 2019/20 and approved them in March 2021.

### Counter Fraud Arrangements and Whistleblowing:

- 4.16 The Committee received regular updates on the counter-fraud work undertaken by Internal Audit and noted the robust approach taken in respect of counter-fraud arrangements.
- 4.17 Significantly, the Committee was pleased to receive independent assurance that Whistleblowing arrangements have improved after ongoing concern about the effectiveness of the arrangements by the Committee. The independent review concluded substantial assurance that these arrangements are now effective.

### Summary:

- 4.18 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.

## **5. Audit Committee Effectiveness and Priorities for 2021/22**

- 5.1 A workshop of Audit Committee Members in October 2020 reviewed their effectiveness and identified areas for improvement. Key messages resulting from this workshop have previously been reported to Full Council in the half year report.
- 5.2 Acknowledging that the Council's Audit Committee was likely to have an entirely different Councillor membership following the May 2021 elections, the outgoing Committee noted the issues below to pass on to the incoming Committee when considering its approach and work programme:
- In terms of approach:
    - Ensuring the committee is provided with relevant and timely information to enable it to effectively fulfil its role.
    - Working with partner audit committees more effectively for greater assurance.
    - Having an understanding of the landscape of partner organisations and the governance and assurance frameworks around them.
  - In terms of work programme:
    - An update on the IT Transformation Programme
    - Continued monitoring of the effectiveness of whistleblowing arrangements
    - Tracking continued progress on SEND improvement actions.
    - Compliance with the records retention policy
    - A review of governance and decision-making processes following the External Auditor's value for money report.

## **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. There is clear evidence that this is improving, and the new Committee will need to monitor progress going forward to ensure this improvement is sustained.
- 7.3 The Committee would like to thank the Internal Audit Service, Grant Thornton and senior management for the support they provide the Committee in discharging its responsibilities.

## **Appendices:**

Appendix 1 – Reports considered by the Audit Committee in 2020/21 including reports considered by the Values and Ethics Committee.

## Details of Reports Considered by Audit Committee during 2020/21 Municipal Year

Meeting Date	Papers Considered
28 <sup>th</sup> May 2020	<ul style="list-style-type: none"> <li>• 2018/19 Annual Governance Statement Actions – Update</li> <li>• 2018/19 Statement of Accounts</li> <li>• 2018/19 External Audit ISA 260 Report</li> <li>• 2020/21 Internal Audit Annual Plan Review</li> <li>• Bristol Energy Company – Statement of Accounts</li> </ul>
29 <sup>th</sup> June 2020	<ul style="list-style-type: none"> <li>• Bristol Energy Governance and Accountability</li> <li>• 2018/19 Statement of Accounts</li> </ul>
30 <sup>th</sup> July 2020	<ul style="list-style-type: none"> <li>• Quarter 4 – Corporate Risk Report</li> <li>• 2019/20 Internal Audit Annual Report</li> <li>• 2019/20 Annual Fraud Report</li> <li>• 2019/20 Audit Committee Annual Report to Full Council</li> <li>• 2019/20 Draft Annual Governance Statement</li> <li>• 2019/20 Draft Statement of Accounts</li> <li>• 2019/20 External Audit Action Plan</li> <li>• 2019/20 External Audit Progress Report</li> <li>• Bristol Holding Company Audit and Risk Committee Assurance</li> <li>• Procurement Rules Update</li> </ul>
27 <sup>th</sup> August 2020	<ul style="list-style-type: none"> <li>• 2019/20 Draft Annual Governance Statement</li> <li>• 2019/20 Draft Statement of Accounts</li> </ul>
28 <sup>th</sup> September 2020	<ul style="list-style-type: none"> <li>• External Audit Update Report</li> <li>• 2019/20 Treasury Management Annual Report</li> <li>• SIRO Assurance Report</li> <li>• Quarter 1 – Corporate Risk Report</li> <li>• Risk Management Annual Report and Improvement Plan</li> <li>• Internal Audit Activity Report</li> </ul>
23 <sup>rd</sup> November 2020	<ul style="list-style-type: none"> <li>• External Audit Update Report</li> <li>• Annual Report of the Local Government and Social Care Ombudsman</li> <li>• Access to information</li> <li>• Lord Mayors Protocol</li> <li>• Internal Audit Quality Assurance and Improvement Programme, Charter and Strategy.</li> <li>• Internal Audit Update Report</li> <li>• Counter-fraud half year report</li> <li>• Audit Committee half year report to full Council.</li> <li>• Treasury Management Mid-Year Report 2020/21</li> </ul>
25 <sup>th</sup> January 2021	<ul style="list-style-type: none"> <li>• External Audit Progress Report 2019/20</li> <li>• External Audit Value for Money Report 2019/20 including</li> <li>• Internal Audit Update Report</li> <li>• Quarter 3 – Corporate Risk Report</li> </ul>
22 <sup>nd</sup> March 2021	<ul style="list-style-type: none"> <li>• External Audit – ISA 260 Report</li> <li>• Statement of Accounts Year Ended 31<sup>st</sup> March 2020</li> <li>• 2019/20 Annual Governance Statement – Summary of Progress</li> <li>• Review of Code of Corporate Governance</li> <li>• Council Procedure Rules – Proposed Constitution Updates</li> <li>• Internal Audit – Draft Plan 2021/22</li> <li>• Annual Whistleblowing Review</li> <li>• Contract Management Update</li> </ul>
<b>Values and Ethics (Sub) Committee</b>	
28 <sup>th</sup> September 2020	<ul style="list-style-type: none"> <li>• Regulation of Investigatory Powers Act (2000)</li> </ul>
22 <sup>nd</sup> March 2021	<ul style="list-style-type: none"> <li>• Member Development Strategy</li> <li>• Summary of Complaints Against Councillors and Outcomes – January 2018 – March 2021.</li> </ul>



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