



BRISTOL CITY COUNCIL

AUDIT COMMITTEE

**Half Year Update to Full Council
2021-22**

DRAFT

1. Introduction and Context:

- 1.1 The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework, internal control environment and the integrity of the financial reporting and annual governance processes. It is the primary means by which Full Council obtains assurance that governance, risk management and control systems are in place and effective. The Audit Committee's responsibilities are additional and supportive to those of the Section 151 Officer.
- 1.2 The Value and Ethics Committee is a sub-committee of the Audit Committee set up to deal with matters relating to the ethical framework affecting Members of the council, their behaviour and compliance with the Member Code of Conduct.
- 1.3 This report provides details of the Committee's and sub-committee's work this year to date and provides early highlights to Full Council of key issues that require monitoring by or support from the Committee to engender improvements to the internal control, governance and risk management arrangements across the Council.

2. Key Issues

- 2.1 Details of the reports considered to date by the Committee are provided in Appendix 1. Key messages to bring to Full Council's attention from this work to date are included below:

Control Environment:

- 2.2 The Chief Internal Auditor has reported an improved position regarding the Council's internal control, risk management and governance arrangements in his annual report relating to 2020/21. This reflects progress made by the Council in addressing some of the long outstanding issues that had remained unresolved for a few years but also acknowledges there are some areas that still require improvement. The opinion noted that the Council's improvement journey is not yet complete and whilst some improvements will take time to embed, it is important that they are prioritised and sufficiently resourced. A core part of the Committee's work will include monitoring improvements in these areas and the following paragraphs highlights some of the progress made to date

- **Capital Portfolio Governance.** A three year programme of improvement has been identified and will be monitored by the Committee noting that whilst some actions will provide immediate benefit, others will take time to deliver the benefits.
- **Risk Management.** Whilst progress is being made to build a strong foundation for risk management, there is a lack of clarity over the current governance of risk management and there are inconsistencies in the use of the risk management framework and tools. The Committee has reviewed and will continue monitor current plans to strengthen these arrangements,
- **Cyber Security Arrangements.** Recent investment has been made to enhance the security posture of the Council. Recognising that the cyber risk is an increasing threat to all organisations the Committee will continue to ensure agreed improvement actions in this area are effectively implemented.
- **IT Transformation.** Completion of projects included in the transformation programme will be necessary to ensure the full benefit of the Council's investment in IT is achieved. The Committee has asked for progress updates in this respect and to ensure lessons are learned for future digital transformation aspirations.

Governance:

2.3 The Committee contributed to the review of the 2020/21 Annual Governance Statement to ensure it was reflective of the Council's governance, risk management and internal control arrangements and identifies actions to improve where appropriate. The statement concluded that governance arrangements are generally working as expected. However, four significant governance issues were identified in the statement and progress against these arrangements will again be monitored by the Committee. In summary the issues are:

- **COVID 19.** The impact of the pandemic will be felt for many years and the recovery period will be elongated. The longevity and uncertainty of the pandemic will require flexible recovery approaches and medium to long term resilience in the Council's finances. In addition to other key actions the Council will continue to implement the Local Outbreak Management Plan and associated governance structures, plus communication and engagement, including about vaccination as well as revise the Council's Corporate Strategy, Medium Term Financial Plan and Capital Strategy to ensure resilience and that the impacts and recovery actions are accounted for and part of mainstream 'business as usual' for the Council, including within its annual Business Planning process.
- **Governance Arrangements for the Council's subsidiaries.** A review of Governance Arrangements for Bristol City Council's Subsidiaries by the Council's External Auditors, Grant Thornton was discussed at the Extraordinary Full Council public meeting in February 2021 where a cross-party Working Group was established to examine the action plan for implementing the audit recommendations. These recommendations are listed in Appendix 3. The Working Group reported to Full Council in May 2021 and concluded that appropriate action is being taken to implement the Management Actions in response to the recommendations in the Grant Thornton Report. Subsequently in September 2021, the Audit Committee received another report from Grant Thornton concerning the governance arrangements for Bristol Energy which is at Appendix 2 of this report. In that report and building on from the previous report, Grant Thornton made nine recommendations and suggested that the issues be formally considered and included in the Council's implementation plan, as overseen by the Audit Committee. In the September meeting the Committee received representations on the matters raised from both Grant Thornton and senior officers. The Committee accepted the recommendations and received assurances from senior officers that the implementation of the recommendations was being prioritised and further agreed to undertake ongoing monitoring to ensure that recommendations were being timely actioned supported by regular updates from senior officers during the year.
- **Dedicated Schools Grant Deficit.** The deficit of £10m at the end of 2020/21 was forecast to increase by 100% by the end of 2022. A range of outcome and process improvements are being delivered in line with the Written Statement of Action.
- **Bristol Beacon.** The significant increase in time and cost to project saw the investment increase by 119% on the original approved budget of £48.8m. In addition to other key actions, the Bristol Beacon has been re baselined in terms of budget and duration. A Project Management Office has been created and a Strategic Partner commissioned to provide key professional support to the project. Project assurance is ongoing in the form of Project Board reporting and management process.

2.4 In addition, the Committee has reviewed the Annual Report of the Local Government and Social Care Ombudsman and noted that a **Public Report** had been made highlighting a

breakdown in governance arrangements in implementing improvement actions identified. In line with procedure, this report has been referred to Full Council for consideration.

Risk Management:

- 2.5 As mentioned above, the Committee continues to monitor the development and maturity of the Council's risk management arrangements.
- 2.6 In addition, the Committee reviews in detail a sample of corporate risks. To date the Committee have reviewed in detail risks relating to housing delivery and affordable housing delivery. These are ranked as high-level risks and the Committee has been assured that the risks have been appropriately identified and mitigating action is being reviewed regularly and overseen by scrutiny.

3. Audit Committee Effectiveness and Development

- 3.1 Following the May 2021 elections, membership of the Committee has completely changed. A new Chair (Councillor Hopkins) and Vice Chair (Councillor Dyer) lead a committee of members who are new to both the work of the Committee and Council. Two long standing independent audit committee members provide audit expertise and continuity in line with best practice and will be key in supporting the new Committee as it further develops into its role.
- 3.2 Essential and targeted training has been offered to all Audit Committee members to assist them in both understanding the role of the Committee and enhancing understanding in some key areas relevant to the Committee: So far, the training received include:
 - Induction and the Role of the Audit Committee
 - Receiving assurance from and working with Internal Auditor
 - Working with the External Auditors
 - Governance
 - Treasury Management
- 3.3 The Committee will continually review its own operations and re-assess any further training requirements. At least annually, a review of the Committee's effectiveness will be completed to ensure the Committee is fulfilling its objectives on behalf of the Council. As part of this review, Members' attendance and commitment will be reviewed.
- 3.4 Continued work has taken place to ensure the Committee's access to information to enable it to effectively fulfil its role. The External Auditor's report at appendix 2 highlights the importance of ensuring this Committee is sighted on developments and information relating to the governance arrangements and risks in relation to the Council and its subsidiary companies.
- 3.5 Early amendments to working practices of the Committee include earlier questioning of reports presented to the Committee with officers responding to questions in advance of Committee meetings.

Reports Considered by Audit Committee During 2020/21 to date:

Audit Committee	
Meeting Date	Papers Considered
24 th June 2021	<ul style="list-style-type: none"> • External Audit Progress Report and Fee Proposals • Internal Audit Annual Report 2020/21 • Annual Fraud Report 2020/21 • Report Summarising External Inspections of Council Services. • Access to Information for Audit Committee Functions
26 th July 2021	<ul style="list-style-type: none"> • External Audit Progress Report – including verbal updated on Bristol Energy Report. • 2020/21 Audit Committee Annual Report to Full Council • 2020/21 Draft Statement of Accounts • 2020/21 Draft Annual Governance Statement • Corporate Risk Report – Q4 2020/21 • Corporate Risk Detailed Review – Affordable Housing • Internal Audit Update Report • Companies Assurance Report
27 th September 2021	<ul style="list-style-type: none"> • Report Concerning Governance Arrangements for Bristol Energy • Treasury Management Report 2020/21 • External Audit Appointment Process • Monitoring Oversight of Capital Delivery • Senior Information Risk Owner Assurance Report • Risk Management Annual Report • Corporate Risk Report – Q1 2021/22 • Annual Report of Local Government and Social Care Ombudsman Decisions
Values and Ethics (Sub) Committee	
24 th June 2021	<ul style="list-style-type: none"> • Honorary Alderman Nomination
26 th July 2021	<ul style="list-style-type: none"> • Member Code of Conduct • Member Development
27 th September 2021	<ul style="list-style-type: none"> • Honorary Alderman Nominations