



BRISTOL CITY COUNCIL

AUDIT COMMITTEE

ANNUAL REPORT 2021-22

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 2021/22, 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 Group Leaders 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 2021/22 by Councillor Gary Hopkins. Councillor Hopkins resignation in December 2021 saw Councillor Andrew Brown take the chair from January 2022. The Committee comprised of nine members as indicated in the table below with two independent members, Adebola Adebayo and Simon Cookson.
- 3.2 The Committee met formally on five occasions during 2021/22. All meetings were quorate and face to face in line with government requirements for all committee meetings.

Table 1- Audit Committee Attendance 2021/22:

Member	No. of meetings held	No. of Meetings Attended	Percentage of meetings attended
Gary Hopkins (Chair)	4	4	100%
Andrew Brown (Chair)	1	1	100%
Tony Dyer (Vice Chair)	5	5	100%
Farah Hussain	5	1*	20%
Marley Bennett	5	4	80%
John Geater	5	4**	80%
Zoe Goodman	5	5	100%
Katy Grant	5	4	80%
Jonathan Hucker	5	5	100%
David Wilcox	5	4	80%
Simon Cookson	5	5	100%
Adebola Adebayo	5	5	100%

*Councillor Jackson substituted at one meeting **Councillor Gollop substituted at one meeting.

- 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 thirty-nine 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 four times receiving reports detailing Members Development, Members Code of Conduct Guidance, Members Declaration of Interest Register and honorary alderman nominations. 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"> Internal Audit Annual Report and regular Internal Audit Activity Reports including summary exceptions reports. Annual Report of Local Government and Social Care Ombudsman Senior Information Risk Owner (SIRO) Assurance Report Monitoring Oversight of Capital Programme Delivery Contract Management Progress Update 2022/23 Internal Audit Draft Plan 2020/21 Review of External Inspections of Council Services
Corporate Risk Management	<ul style="list-style-type: none"> 2020/21 Risk Management Annual Report Q1 and Q4 2021/22 - Corporate Risk Reports Review of Specific Corporate Risk (Affordable Housing)
Regulatory Framework	<ul style="list-style-type: none"> 2020/21 Annual Governance Statement Report concerning Governance Arrangements for Bristol Energy Update regarding management actions in relation to Grant Thornton and Shareholder Governance Review Recommendations Companies Assurance Report Annual Report of Local Government and Social Care Ombudsman Decisions 2020/21 Draft Annual Governance Statement Summary of Progress to Date
Internal Audit Effectiveness	<ul style="list-style-type: none"> Internal Audit Annual Reports/Progress Internal Audit Quality Assurance Improvement Programme including Internal Audit Charter and Strategy
External Audit Effectiveness	<ul style="list-style-type: none"> External Audit progress reports 2020/21 Review of External Inspections of Council Services External Auditor Appointment Process External Audit Plan
Financial Reporting	<ul style="list-style-type: none"> 2020/21 Statement of Accounts Grant Thornton ISA 260 Report Debt Management Policy 2021/22 & 2022/23 Accounting Policies
Treasury Management	<ul style="list-style-type: none"> 2020/21 Treasury Management Annual Report

Area	Papers Considered to Enable Oversight
	<ul style="list-style-type: none"> • 2021/22 Treasury Management Mid-Year Report
Anti-Fraud Arrangements	<ul style="list-style-type: none"> • 2020/21 Annual Fraud Report and other Counter Fraud Updates • Annual Whistleblowing Update

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 but should be read alongside the half year report for fuller details.

Internal Control Environment:

4.3 The Committee received an Annual Report from the Chief Internal Auditor at the start of the municipal year in line with the requirements of the Public Sector Internal Audit Standards (PSIAS). This reported an improved position regarding the Council's internal control, risk management and governance arrangements and reflected progress made by the Council in addressing some of the long outstanding issues that had remained unresolved for a few years. It also acknowledged there are some areas that still require improvement and that the Council's improvement journey is not yet complete.

4.4 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:

- IT Transformation
- Cyber Security
- Information Asset Ownership
- IT Resilience
- Capital Programme Governance
- Affordable Housing Grants to Registered Providers
- Risk Management
- Housing Rents
- Housing Responsive Repairs
- Managers Health and Safety Self Assessments
- Adult Safeguarding

4.5 The Committee has requested closer oversight in the following areas given the information received and targeted briefings are planned in these areas for 2022/23:

- IT and Cyber Security
- Risk Management Maturity
- Procurement Breaches.

Risk Management:

4.6 The Committee has received reports from the Council's Risk and Insurance Manager detailing the corporate risks and the progress being made to embed risk management at the Council. The risk management arrangements continue to embed. An Internal Audit review identified that recent progress improvements now need time to embed to enable the council

to move further towards risk maturity as part of the Council's risk management journey.

Regulatory Framework:

- 4.7 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 was assured by the review process and approved the 2020/21 Annual Governance Statement as a fair reflection of the Council's governance arrangements.
- 4.8 The Statement for 2020/21 identified a number of issues that had significantly impacted the Council's governance arrangements: Covid 19, Governance Arrangements for the Council Subsidiaries (detail was included in the half year report), the Dedicated Schools Grant Deficit and the significant increase in investment in the Bristol Beacon. The Committee has tracked progress in managing these issues to ensure improvement actions were implemented with a final annual update at the March 2022 Audit Committee.

External Audit and Sign off of Financial Statements:

- 4.9 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.
- 4.10 The Committee has approved the 2020/21 Statement of Accounts but they remain not signed off by the Council's External Auditors. The Committee is concerned by the time it takes to have the Council's statement of accounts signed off by the External Auditors and is currently working with both Officers and the External Auditors in exploring opportunities for improving the situation in this regard. At the request of the Audit Committee, the Council's web site has been updated to include the reason for the delay.
- 4.11 The process for appointment of new external auditors from 2023/24 onwards was also considered. As endorsed by Full Council on 11th January 2022, the Council will appoint its new auditors via the Public Sector Auditor Appointments option.

Counter Fraud Arrangements and Whistleblowing:

- 4.12 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. Additionally the Committee has monitored continual improvements being made to whistleblowing arrangements.

Summary:

- 4.13 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 Annual Report provides sight of areas where that is not the case.

5. Audit Committee Effectiveness and Priorities for 2022/23

- 5.1 Following the May 2021 elections, membership of the Committee completely changed with the exception of two long standing independent audit committee members who provide audit expertise and continuity in line with best practice.

5.2 Essential and targeted training has been offered and provided to 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:

- Induction and the Role of the Audit Committee
- Receiving assurance from and working with Internal Audit
- Working with the External Auditors
- Governance
- Treasury Management
- Financial Statements

5.3 A recent workshop was held to enable the new Committee to reflect on their effectiveness following the first full year of their membership. The workshop reflected on both the Committee's approach and work programme drawing on CIPFA Guidance to support effective Audit Committees. The Committee will work with officers to develop and implement improvement actions however the table below details some early thoughts from the Committee during the workshop:

Area for Development	Actions Agreed
Working with Partner Audit Committees and the governance over decisions made through partner organisations	<ul style="list-style-type: none"> • Key Partner Organisations to be identified. Meeting with Audit Committee chairs of these organisations to be held to explore assurances. • Briefing for Committee Members regarding the governance arrangements for the One City Partnership Board.
Holding risk owners to account more effectively	<ul style="list-style-type: none"> • Explore options for ensuring the right officers attend Audit Committee to respond to questions on risk. • Explore opportunity for earlier receipt of reports to enable more time for review.
Reviewing the effectiveness of performance management arrangements	<ul style="list-style-type: none"> • Joint conversations with scrutiny boards where there is commonality in work programme subject areas. (Facilitated by Members who sit on scrutiny and audit committees)
Improving public reporting	<ul style="list-style-type: none"> • Committee Members to challenge where reports presented should be clearer. • Discussion with Officers in key areas to review the frequency of reporting (Financial Statements).
Value and Ethics Committee	<ul style="list-style-type: none"> • Review how the Audit Committee and Value and Ethics Committees interact to ensure this important work programme area is effectively covered.
Committee Operations	<ul style="list-style-type: none"> • Responses to questions of the Committee not answered at the meeting to be included in the action sheet to ensure the answers are public • Escalation to Chief Internal Auditor where questions that are raised and accepted by Committee do not get a response. • Committee to more closely consider work programme to ensure they input to agenda setting

6. CONCLUSION

6.1 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. The Committee has met its terms of reference in this municipal year.

6.2 This report gives an overview of the range of work undertaken by the Committee, which has enabled it to conclude that there are some areas where the Council's system of

checks and balances are not as robust as required (para 4.5 refers) and the Committee's forward work programme will include monitoring of these to ensure improvement.

- 6.3 The new Committee has settled into its role well and recognise areas where it can improve its effectiveness going forward with the actions identified at paragraph 5.3 above.
- 6.4 The Audit Committee would like to extend its thanks and appreciation to all the officers who have contributed reports and responded to questions from committee members. Audit Committee obviously has a vital role to play and this is greatly enhanced by a high standard of input from all those who contribute.

Appendices:

Appendix 1 – Reports considered by the Audit Committee in 2021/22 including reports considered by the Values and Ethics Committee.

Appendix 1

Meeting date	Papers considered
24 th June 2021	<ul style="list-style-type: none"> External Audit Progress Report 2020/21 Internal Audit Annual Report 2020/21 Annual Fraud Report 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 External Auditor Appointment Process 2020/21 Treasury Management Annual Report Monitoring Oversight of Capital Delivery Internal Audit Activity Report - Including Summary Audit Reports Senior Information Risk Owner (SIRO) Assurance Report 2020/21 Risk Management Annual Report 2021/22 - Q1 - Corporate Risk Management Report Annual Report of Local Government and Social Care Ombudsman Decisions
23 rd November 2021	<ul style="list-style-type: none"> Update regarding management actions in relation to Grant Thornton and Shareholder Governance Review Recommendations External Audit Plan Audit Committee Half Year report to Full Council (draft) Debt Management Policy Treasury Management Mid-Year Report Internal Audit Half Year Update including summary audit reports Counter Fraud Half Year Update Report Internal Audit Quality Assurance Improvement Programme
8 th March 2022	<ul style="list-style-type: none"> Grant Thornton ISA 260 Report 2020/21 Statement of Accounts 2021/22 & 2022/23 Accounting Policies Internal Audit Exception Report 2020/21 Review of External Inspections of Council Services Contract Management Progress Update 2020/21 Draft Annual Governance Statement Summary of Progress to Date Annual Whistleblowing Update 2022/23 Internal Audit Draft Plan
Value and Ethics Sub-Committee Meetings	
24 th June 2021	<ul style="list-style-type: none"> Honorary Alderman Nomination
26 th July 2021	<ul style="list-style-type: none"> Code of Conduct Guidance Notes for Councillors Member Development Update
27 th September 2021	<ul style="list-style-type: none"> Honorary Alderman Nominations
23 rd November 2021	<ul style="list-style-type: none"> Members Register of Interests Report Honorary Aldermen Criteria