



Appendix A

BRISTOL CITY COUNCIL

AUDIT COMMITTEE

**Half Year Update to Full Council
2022-23**

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 'Reasonable Assurance' that in 2021/22 the Council's systems of internal control, governance and risk management were adequate and operating effectively. In noting this opinion, the Chief Internal Auditor acknowledged that the lasting impact of covid and other global and national events such as the Russia-Ukraine War and Brexit have created significant risk for the Council. Prioritising governance, internal control and risk management improvements to support delivery of the council's ambitions will be important to maintain this opinion. It was further noted that as an ambitious organisation, the Council inevitably has many priorities and transformation initiatives, but a robust prioritisation process is imperative so that the organisation only focuses on priorities that have sufficient resources to support them. A number of areas noted below were identified as requiring improvement by the Chief Internal Auditor. A core part of the Committee's work will include monitoring improvements in these areas:
 - Information Technology including IT Resilience
 - Compliance with Procurement Rules
 - Risk Management
 - Housing Management systems and processes
 - Management of Conflicts of Interest
 - Adult Social Care Direct Payments
 - Special Educational Needs and Disability (SEND)
 - Delivery of financial savings
- 2.3 Where the Chief Internal Auditor provides limited or no assurance in areas, the Committee receives updates from management about actions to improve control arrangements. These are monitored by the Committee. The Chief Internal Auditor advises that satisfactory progress is being made in the implementation of improvement actions resulting from these reviews. It is important to ensure priority continues to be given to improvements identified.

Governance:

- 2.4 The Committee contributed to the review of the 2021/22 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, three 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:
- **Dedicated Schools Grant (DSG).** The in-year forecast deficit on the DSG is significant which when added to the brought forward balance means that the DSG was carrying a year end deficit of £24.6m. The main financial challenge continues to be the High Needs block, resulting from increases in EHCP assessments and need.
 - **Procurement Breaches.** The number of breaches of the Council's procurement rules during 2021/22 significantly increased from 2020/21. The 20/21 Value for Money report by the Council's external auditors has recommended urgent action be taken to address the high level of breaches. When the procurement rules are breached, there is an increased risk that the Council enters into a contract which is not Best Value and/or is not the best way of achieving organisational objectives. Breaches also reduce transparency and fairness of decision making, which can increase the risk of fraud, conflicts of interest and reputational damage.
 - **Savings.** The Council continues to face challenges in delivering required savings. Out of the £11.7m of savings planned for delivery within the 2021/22 budget only 46% was achieved on a recurrent basis. If these savings continue to be unachievable in the future the Council will need to identify other ways of delivering these savings which could result in significant impact on service delivery.
- 2.5 In addition, the Committee has reviewed the Annual Report of the Local Government and Social Care Ombudsman for 2021/22. No public reports had been made but the report detailed a number of cases which were upheld by the Ombudsman. In line with requirements, this report was referred to Full Council.
- 2.6 Regular reports from Internal Audit's Counter-Fraud Team demonstrate that fraud risks are understood and mitigated by a programme of fraud prevention activities. Where fraud occurs, it is investigated with appropriate action taken against offenders. The team prioritise whistleblowing referrals and improving arrangements to encourage people to report concerns.
- Risk Management:**
- 2.7 The Committee continues to monitor the development and maturity of the Council's risk management arrangements and has been provided with a detailed briefing in respect of the following risk related areas:
- Risk management processes and reporting procedures operated by the Council
 - ICT and Cyber related risks and how these are being managed. This is an area that the Committee is keen to monitor through the year and further reports are scheduled to be received by the Committee.
 - Procurement compliance risks which again, will be monitored by the Committee to ensure improvement is achieved.
- 2.8 In addition to having oversight of the Quarterly Risk Report in line with existing practice, officers are facilitating more detailed examination of particular risks chosen by committee members in advance of each meeting

Value for Money:

- 2.9 The Committee received an Interim Report from the External Auditors on their Annual Report on the Council. Their work did not conclude there to be any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of 2020/21, but a number of improvement recommendations were made. Many of those are in areas included within this report. The Committee will monitor actions taken in response to their recommended improvements.

3. Audit Committee Effectiveness

- 3.1 The Committee annually undertakes a review of its effectiveness. Details of the most recent review and the actions resulting were included in our Annual Report to Full Council. In addition, the Committee is working to review further training needs of its members.
- 3.2 The Audit Committee would like to extend its continued 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.

Appendix 1:

Reports Considered by Audit Committee During 2022/23 to date:

Audit Committee	
Meeting Date	Papers Considered
27 th June 2022	<ul style="list-style-type: none">• External Auditors Interim Annual Report on Bristol City Council 2020/21.• Internal Audit Annual Report 2021/22• Fraud Annual Report 2021/22• Draft Annual Governance Statement 2021/22• Q4 2021/22 Corporate Risk Report Update
26 th July 2022	<ul style="list-style-type: none">• Draft Financial Statements 2021/22• Estimated External Audit Fees 2020/21• Bristol Holding Limited Audit & Risk Committee Annual Assurance Report 2021/22.• Q1 - Strategic Risk Report• Internal Audit Exception Reporting including Management Action Tracking• Terms of Reference for the External Review of Bristol City Council Internal Audit Service
26 th September 2022	<ul style="list-style-type: none">• External Audit Plan 2021/22 - Draft• Treasury Management Annual Report 2021/22• Risk Management Annual Report 2021/22• Annual Report of Local Government and Social Care Ombudsman 2021/22• Internal Audit Activity Report• Audit Committee Annual Report to Full Council• Q2 Corporate risk report
Values and Ethics (Sub) Committee	
27 th June 2022	<ul style="list-style-type: none">• Members Development Update Report• Summary of Complaints Against Councillors (March 2021 – May 2022)