



BRISTOL CITY COUNCIL

AUDIT COMMITTEE

**Half Year Update to Full Council
2023-24**

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:

Governance:

- 2.2 The Committee contributed to the review of the 2022/23 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 from 2021/22 remain open and a further significant issue was identified from the 2022/23 review. Progress against improvement in these areas will continue to be monitored by the Committee. In summary the issues are:

Open issues from 2021/22:

- **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 £39.7m at the end of March 2023. The main financial challenge continued to be the High Needs block where Bristol had been unable to deliver local need within the budget available.
- **Procurement Breaches.** The high number of breaches of the Council's procurement rules remained a concern. The majority of non-compliance related to extending or entering into new contracts without first seeking the required sign offs or direct awarding when the Council's internal procurement rules require competition. When the procurement rules are breached, there is an increased risk of failure to achieve best value and to meet key service objectives.
- **Savings.** The Council continues to face challenges in delivering required savings. Out of the £24.2m of savings planned for delivery within the 2022/23 budget only 66% was achieved on a recurrent basis. In part, the savings shortfall was mitigated by utilising £4.1m of the savings/optimism bias contingency.

New issue emerging from 2022/23 review:

- **Childrens Services.** An ILACS (Inspecting Local Authority Childrens Services) inspection during 2022/23 identified the need for essential improvements to move the service from 'Requiring Improvement' to 'Good'. The services operate in a complex environment with increased demand, insufficient supported housing supply, recruitment and retention challenges and savings not delivered. This resulted in a significant overspend by the service in 2022/23.

- 2.3 Internal Audit has completed an early review of the organisation's readiness for the adoption of the committee system in May 2024. A reasonable assurance opinion was provided. Evidence was obtained that showed reasonable progress is being made to implement the new arrangements. This will be discussed at the Committee's November 2023 and meeting the Chair will also share this outcome with the Chair and Vice-chair of the Committee Model Working Group.
- 2.4 The Values and Ethics Committee was presented with a report outlining a revised complaints process. Members expressed a number of concerns and it was agreed that a workshop is held to review the proposals and make recommendations as appropriate.
- 2.5 Following a recommendation from the External Auditor, an independent review into the management of the redevelopment of Bristol Beacon is underway and this will be considered by the Committee in the New Year.

Control Environment:

- 2.6 The Chief Internal Auditor has reported 'Reasonable Assurance' that in 2022/23 the Council's systems of internal control, governance and risk management were adequate and operating effectively. In giving this opinion, the Chief Internal Auditor acknowledged a number of areas, noted below (where not included elsewhere in this report) as requiring improvement. A core part of the Committee's work will include monitoring improvements in these areas:
- Maintained Nursery Schools Deficit
 - Contract Management
 - Information technology (due to slow progress in implementing agreed improvements)
 - Core Systems Access Controls
 - Adult Social Care Transformation and Budget Management
 - Corporate Property Disposals
 - Grant Management
 - Health and Safety
 - Business Continuity.
- 2.7 In addition, in 2023/24 to date, the Committee has received details of limited assurance reports by Internal Audit in respect of Agency Staff, Transition from Children to Adults, Debt Management and Health and Safety processes. Where the Chief Internal Auditor provides limited or no assurance in areas, the Committee receives detailed updates from management about actions to improve control arrangements. Actions implementation is monitored by the Committee to ensure the priority remains to implement the improvement actions and maximise the use of audit management software to embed monitoring of this.
- 2.8 Counter fraud work continues to generate significant savings and other benefits for the Council including recovery of housing properties for relet to people with a genuine need. 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:

- 2.9 The Committee continues to monitor the development and maturity of the Council's risk management arrangements and has been provided with a detailed action plan of improvements being made during the current year.
- 2.10 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. At its September 2023 meeting:
- the Committee received a detailed update from the Director: Policy, Strategy and Digital regarding the progress around ICT improvements being made and this included an update on progress with plans to address the root causes of previous limited assurance reports relating to IT and digital matters.
 - the Committee conducted a "deep-dive" on Corporate Risk CRR13 - CRR13 - Financial Framework and Medium-Term Financial Plan (MTFP) in order to gain a fuller understanding of the risk and the mitigation measures being adopted.

Value for Money:

- 2.11 The Committee received an Interim Report from the External Auditors. Their work reflected the matter in relation to procurement breaches (referenced above) as a significant weakness. Other improvement recommendations were made relating to a number of areas. The Committee will monitor actions taken in response to their recommended improvements.

Financial Statements:

- 2.12 Following finalisation of audit work by the External Auditor, the Committee has now been able to approve the Council's Financial Statements for 2020/21.

3. Looking Forward

- 3.1 Going forward, the Committee's work programme has been extended to include updates in relation to the Council's priority transformation programmes to gain assurance that the governance, internal control and risk management arrangements will support delivery of these objectives.
- 3.2 Before the end of the financial year, the Committee will hold a workshop to review the Committee's effectiveness. This will identify areas of good operational practice as well as provide an opportunity for Committee members to reflect on areas that may need improvement going forward. This will inform the learning and development plan for Committee members in 2024/25

4. Acknowledgements

- 4.1 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. This enables the Committee to carry out its vital role in ensuring governance, risk management and internal control are in place and continually improving.

Appendix 1:

Reports Considered by Audit Committee During 2023/24 to date:

Audit Committee	
Meeting Date	Papers Considered
30 th May 2023	<ul style="list-style-type: none"> • Grant Thornton 2020/21 Audit Opinion Report • Internal Audit Annual Report 2022/23 • Fraud Annual Report 2022/23 • Draft Annual Governance Statement 2022/23 • Internal Audit 2023/24 Q2 Priorities • Statement of Accounts Year Ended 31 March 2021 • Draft Statement of Accounts 2022/23 • Q4 2022/23 Corporate Risk Report Update • Senior Information Risk Owner Update
24 th July 2023	<ul style="list-style-type: none"> • Interim Auditors Annual Report on Bristol City Council 2021/22 & 22/23 • Q1 2023/24 Corporate Risk Report Update • Internal Audit Update Report • Internal Audit Exceptions Report • Audit Committee Annual Report to Full Council – Draft Report • Update on the Council's Debt and Arrears Position
25 th September 2023	<ul style="list-style-type: none"> • Grant Thornton ISA 260 Report 2021/22 • Statement of Accounts Year Ended 31 March 2022 • Internal Audit Activity Report • Internal Audit Q3 Priorities • Treasury Management Annual Report 2022/23 • Risk Management Annual Report 2022/23 • Q2 2023/24 Corporate Risk Report • Audit Committee Corporate Risk Deep dive - CRR13 (MTFP) • Annual Report of the Local Government and Social Care Ombudsman • Digital Transformation Programme Update • Update regarding Governance changes relating to the councils wholly owned companies. - September 2023 • Bristol City Council Trading Companies Annual Comprehensive Assurance statements
Values and Ethics (Sub) Committee	
25 th September 2023	<ul style="list-style-type: none"> • Summary of complaints against Councillors and revised Complaints Procedure • Member Code of Conduct • Member Officer Protocol.