

AGENDA ITEM NO. 4

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON 28TH JANUARY AT 9.30 A.M.

P Councillor Brain
A Councillor Blythe
P Councillor Emmett
P Councillor Gollop
P Councillor Hassell

Independent members:-

P Ken Guy
P Brenda McLennan

AC

65.1/11

APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS

Apologies were received from Councillor Blythe and the Director, Bristol Partnership.

AC

66.1/11

PUBLIC FORUM

None

AC

67.1/11

DECLARATIONS OF INTEREST

None

AC

68.1/11

CHAIR'S BUSINESS

i. The Chair highlighted that Independent Members had no legal voting rights in respect of the Annual Governance Statement. It was proposed that they would be allowed to vote regardless, in the case of a split vote only the elected Members would be counted.

ii. It was agreed that an extra Audit Committee meeting would be scheduled for Wednesday, 16th February 2011 at 5.00 pm. With permission of the Chair, the Resources Scrutiny Committee would be moved to 6.00pm. The meeting would consider the report on Additional Funding to Bishop Road School.

AC

69.1/11

MINUTES - AUDIT COMMITTEE – 12TH NOVEMBER 2010

- Minute Number 55.11/10 – Information Security Update
 - An update report has been included in the papers for information. To uptake rate of the computer based training course was now 49%;
 - A further update report would be included at the April Committee meeting – this would include information on security reporting methods and how these had been publicised.
- Minute Number 57.11/10 – Financial Standing Report
 - The Service Director, Finance referred to the need to ensure correct protocol to Executive Members and Managers to consider financial information prior to release in the public domain. A reporting methods comparison with other Local Authorities would take place and recommendations would come to the next Audit Committee meeting;
 - Clare Thomas from Grant Thornton was introduced as the temporary replacement for Julie Masci.

RESOLVED - that the minutes of the meeting of the Audit Committee held on 12th November 2010 be confirmed as a correct record and signed by the Chair.

AC

70.1/11

WHIPPING

None

AC

71.1/11

ACTION SHEET

The Internal Audit Manager updated the Committee on the action sheet. Some items had been deferred to the April meeting due to

the large size of the January Committee Agenda. The following comments were made;

- Minute Number 96.4/10 – Review of Audit Committee Effectiveness

Satisfaction surveys would be distributed to Officers and Audit Committee Members.

Councillor Gollop highlighted the following concerns;

- The lack of a Medium Term Financial Plan for 2011/12;
- The financial figures provided to Members would be the projected over and under spends for the forthcoming year. Actual overspends would only become apparent in quarters 3 and 4;
- a full year financial prediction would not be an effective way to guess spending. Extrapolation to the year end could be ineffective – the actual figures would need to be supplied in addition to the predicted figures.

The Service Director Finance highlighted the following key points;

- The key risk area would be Health and Social Care (H&SC) and the area would be monitored closely. Identified trends and information from managers would be used to predict future spending;

In response to concerns regarding a lack of key information in H&SC, the Service Director, Finance highlighted;

- An under spend in H&SC had been identified and the number of agency staff had remained static in the previous year;
- fixed term contracts would no longer be used;
- regular reports would be provided to SLT;
- salary monitoring would not be an effective way to use resources, the finance team focused on the keys risk, i.e. Health and Adult Care and the Change Programme;
- In the event that Children and Young Peoples Services (CYPS) and H&SC merge, the finances would still be considered separately

The Grant Thornton Representative agreed that Councillors should have understanding of the current situation and the methodology used.

It was agreed that information on the actual and the predicted budget should be provided to the Resources Scrutiny Committee for consideration.

- RESOLVED -**
- (1) that the action sheet be noted;**
 - (2) that information on the actual budget and the predicted budget would be provided to the Resources Scrutiny Committee.**

AC

72.1/11

WORK PROGRAMME

The Committee considered the work programme.

- RESOLVED - that the work programme be noted.**

AC

73.1/11

BRISTOL PARTNERSHIP RISK ASSESSMENT AND VALUE FOR MONEY UPDATE

The committee considered a report of the Director of Bristol Partnership (agenda item no. 9) requesting comments on the draft Bristol Partnership risk assessment and its work to deliver Value for Money.

Councillor Gollop declared an interest as a Member of the Bristol Partnership Executive.

The Bristol Partnership Improvement Advisor, Gavin Banks was in attendance to present the report and the following comments were made;

- i. Although the report refers to the Medium Term Financial Plan this should state the 2011/12 budget.
- ii. It was confirmed that LAA targeted measures were assigned to Lead agencies. From the award money 75% would be assigned corporately and 25% would go to the directorate that led on the measure, i.e. police, NHS etc.
- iii. Approximately £3million would be allocated to BCC. Each Department would be required to demonstrate the need for additional funding prior to allocation.
- iv. The Risk Assessment would be presented to the Governance Group on March 1st 2011. Councillor Gollop expressed concern that this would not be presented to the Full

Executive.

- v. The Bristol Partnership Improvement Advisor referred to the difficulty in summarising the outcomes that would not have otherwise happened had the Partnership not been in place.
- vi. The 20/20 plan had produced a revised set of priorities and report cards would be produced quarterly, which would emphasise outcomes.
- vii. The Health and Wellbeing Board would be reconstituted as a statutory board and would be responsible for the repercussions of the Primary Care Trust (PCT) changes. It was acknowledged that this could be an additional risk, this would be fed back to the Bristol Partnership Director.
- viii. The Committee agreed the report had not provided a satisfactory level of details and it was agreed that example of score cards and qualitative examples should be circulated to the Committee Members. A substantial amount of Officer time would be dedicated to work related to the Bristol Partnership and Value for Money would need to be demonstrated.

- RESOLVED -**
- (1) that the report be noted;**
 - (2) that the abolition of the Primary Care Trust be added to the Risk Register;**
 - (3) that Score Cards and Qualitative examples demonstrating Value for Money should be circulated to the Audit Committee Members.**

AC

74.1/11

BUSINESS CONTINUITY ANNUAL REPORT

The committee considered a report of the Deputy Chief Executive (agenda item no. 10) updating members of the Audit Committee of Business Continuity (BC) progress since September 2009.

The Senior Civil Protection Officer attended to present the report and the Committee were invited to ask questions;

- i. It was confirmed that all staff in Health and Social Care, Children and Young Peoples Service and Early Years staff had been offered and encouraged to receive the flu vaccination. A strong business case could be demonstrated, i.e. lower sickness levels etc but this had not been implemented.
- ii. The Snow Plan had included grit drops, an advance from the previous year. BCC had been more proactive and encouraging – asking the public to help. Reference was made to the publicity poster encouraging the public to remove hazardous snow from drive ways and confirming that this would not incur liability for accidents. The Corporate Communication Team and the Executive Member, Councillor Bev Knott had been kept regularly updated and provided regular press releases. High-risk areas such as hospital etc had been prioritised. Feedback on the updated Snow Plan would be canvassed at the beginning of March to order to allow a full review.
- iii. The Core Cities Business Continuity Group took information from areas that were not Core Cities, this had highlighted some discrepancies. Areas for future focus were identified as the Housing Repairs Team and Adult Social Care Payment - not previously identified as critical. Councillor Gollop suggested that Sheltered Housing should be included as critical.
- iv. The Government did not provide national guidance in relation to critical services. Each Bristol City Council Directorate would review their own critical services list.
- v. Concerns were highlighted related to staff changes and ensuring that responsibilities were transferred correctly to replacement Officers.
- vi. Threats of terrorism would be considered under Emergency Planning.
- vii. To date, the Business Continuity Annual Report was reported to SLT via the Deputy Chief Executive. Members requested that report be presented to a meeting of Formal or Informal Cabinet (as appropriate) and to SLT. This would be vital due to the importance of the content and the forthcoming predicted changes.
- viii. The Business Continuity Annual Report would be added to the 2011/12 work programme.

- RESOLVED - (1) that the report be noted;**
- (2) that the Business Continuity Report be considered at a meeting of the Cabinet and of the Strategic Leadership Team.**

AC

75.1/11

GRANT THORNTON'S AUDIT PLAN 2010-11

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 11) setting out the work to be carried out in discharging responsibilities; to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.

The Grant Thornton Representatives provided an over view of the 2010/11 Audit Plan and highlighted the main objective; to identify the risks.

Particular reference was made to the following salient points;

- i. The lack of Medium Term Financial Plan (MTFP) would make assessment of the Councils financial resilience difficult.
- ii. When the Cabinet had viewed the budget proposals a significant saving had been identified in Audit fees and grant certification.
- iii. The Grant Thornton Representative highlighted that although the report referred to possible increased costs due to the Elector Challenge Rights, efforts would be made to keep the costs low, if any at all. This had been an historical role of an Auditor and any new arrangements would incorporate this.
- iv. In reference to the valuation of Bristol Port Company, the Service Director, Finance highlighted the difficulty in calculating the value due to the types of shares held. The valuation provided a range and this would need to be processed through the accounts correctly.
- v. The Committee discussed the current arrangements to ensure the fixed asset register correctly calculated depreciation on council dwellings. The area would often be debatable due to the

way in which depreciation had been calculated; as properties age they incur charges. The accounting standards would be the same as all other Local Authorities.

RESOLVED - that the report be noted

AC

76.1/11

GRANT THORNTON – 2009-10 CERTIFICATION WORK REPORT

The Committee considered a report of the Service Director: Finance (agenda item no. 12) relating to the certification work undertaken on grant claims and returns, acting as an agent of the Audit Commission.

The Grant Thornton Representative confirmed that the Council had successfully reduced the number of claims subject to amendment. However, a third of claims and returns continued to be qualified. The report included a summary of the Performance against key certification targets, the certification work fees and details of the claim and returns certified for 2009-10.

The following issues were clarified;

- i. In nineteen allowance cases, Grant Thornton had found no evidence that the rent had been paid by the claimant. BCC had not been required to request evidence by the Department of Work and Pension. This would be a concern (raised nationally) and had been raised with the Department for Work and Pensions by the Audit Commission.
- ii. The Committee requested that specific information related to these concerns be included in the Audit Report.

RESOLVED - (1) that the report be noted;

(2) that specific information related to requirement of payment evidence for Housing and Council Tax benefit scheme be included in the Audit Report.

AC
77.1/11

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TRANSITIONAL BALANCE SHEET 1 APRIL 2009

The Committee considered a report of the Service Director Finance (agenda item no. 13) requesting the committee note the transitional balance sheet at 1 April 2009 and the current position with the project; and to confirm acceptance of the draft accounting policies under IFRS.

The Corporate Finance Manager attended to present the report and invited questions.

The following comments were made;

- i. In reference to the review of the Waste Collection Contract, the Contract Terms would include specifications on termination of contracts. The accounts would need to be adjusted to reflect any changes in contracts.
- ii. Colston Hall had been leased to the Trust but remained the property of BCC.
- iii. The Committee discussed the employee benefit accrual and the Service Director, Finance highlighted that bank holiday entitlement would be calculated in a different way to annual leave entitlement. Teachers contracts would be different, CIPFA provided a formula.
- iv. Currently it would be too early to take part in benchmarking exercises, this would take place in the future.

RESOLVED - that the report be noted.

AC
78.1/11

EXCLUSION OF PRESS AND PUBLIC

RESOLVED - that under Section 100A(4) of the Local Government Act, the public be excluded from the meeting for the consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the

**Act as amended by the Local
Government (Access to Information)
(Variation) Order 2006.**

**AC
79.1/11**

FRAUD UPDATE

The committee considered an exempt report of the Strategic Director, Corporate Services (agenda item 15) relating to the counter-fraud arrangements in place in Bristol City Council.

The Chief Internal Auditor presented the report and invited questions;

- i. Reference was made to the DWP paper on Tacking Fraud and error in the benefit and tax credit system and the forthcoming presentation to a management meeting to present the issues raised.
- ii. The Chief Internal Auditor confirmed funding announced in January 2011 had been additional to what would normally be received, Internal Audit would be liaising with Neighbourhood Management to determine how the funding could be best spent.
- iii. The Chief Internal Auditor referred to the difficulty in quantifying the cost of fraud and the figures attached to the total fraud in the population.
- iv. BCC would be focusing on key fraudulent areas such as Council Tax reductions for single people or students.
- v. A number of more proactive fraud prevention methods would be explored to ensure the introduction of new schemes i.e. personalised budgets, did not increase fraudulent activity. BCC had liaised with other Local Authorities regarding their experiences in fraudulent claims.

RESOLVED - that the report be noted.

**AT THIS POINT THE MEETING WAS THEN OPENED TO THE PUBLIC
AGAIN**

INFORMATION REPORTS

AC

80.1/11 INFORMATION SECURITY: ONLINE TRAINING UPDATE

The Committee considered a report of Strategic Director, Corporate Services (agenda item no. 16) briefing on Information Security that remains Red on the Corporate Risk Register. The key action to mitigate the risk to ensure that all staff take a short mandatory training course. In November uptake of the training was weak, and the Committee asked for a progress report in January.

RESOLVED - (1) that the amendments to the risk register be noted;

(2) that the computer based security training be circulated to all Members.

AC

81.1/11 CORPORATE RISK REGISTER

The Committee considered a report of Chief Internal Auditor (agenda item no. 17) briefing on the Corporate Risk Register.

RESOLVED - that the amendments to the risk register be noted.

AC

82.1/11 CITY DEVELOPMENT RISK REGISTER

The Committee considered a report of Manager, Finance (agenda item no. 18) briefing on the amendments made to the Risk Register for City Development.

RESOLVED - that the amendments to the risk register be noted.

AC

83.1/11 CYPS DIRECTORATE RISK REGISTER

The Committee considered a report of Senior Performance and Planning Officer (agenda item no. 19) briefing on the amendments

made to the Risk Register for Children and Young People and Skills.

RESOLVED - that the amendments to the risk register be noted.

**AC
84.1/11**

NEIGHBOURHOODS (LANDLORD SERVICES) HRA RISK REGISTER

The Committee considered a report of Chief Internal Auditor (agenda item no. 20) briefing on progress compiling the Neighbourhoods (Landlord Services) HRA Risk Register.

RESOLVED - that the contents of the register be noted.

**AC
85.1/11**

DATE OF NEXT MEETING

RESOLVED - that the next meeting will be a joint meeting with the Standards Committee and is to be held on Friday 1st April 2011 at 10.00 am

(The meeting ended at 12.25 pm)

CHAIR