

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 12<sup>TH</sup> NOVEMBER 2010 AT 9.30 A.M.**

P Councillor Brain  
P Councillor Blythe  
P Councillor Emmett (arrived at 9.50am)  
P Councillor Gollop (arrived at 9.40am)  
P Councillor Hassell

**Independent members:-**

P Ken Guy  
P Brenda McLennan

**AC**

**47.11/10 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS**

It was noted Councillors Emmett and Gollop may be late to the meeting.

Barry Morris from Grant Thornton attended as a substitute for John Golding.

**AC**

**48.11/10 DECLARATIONS OF INTEREST**

None

**AC**

**49.11/10 WHIPPING**

None

**AC**

**50.11/10 PUBLIC FORUM**

None

AC

**51.11/10 CHAIR'S BUSINESS**

Councillor Mark Wright, Executive Member for Efficiency and Value for Money would attend the meeting in relation to agenda item number 13 – *Benefit Fraud Investigation Team: Half Year Report and Update*.

AC

**52.11/10 MINUTES - AUDIT COMMITTEE – 27<sup>th</sup> SEPTEMBER 2010**

**RESOLVED - that the minutes of the meeting of the Audit Committee held on 27<sup>th</sup> September 2010 be confirmed as a correct record and signed by the Chair.**

AC

**53.11/10 ACTION SHEET**

The Chief Internal Auditor updated the Committee on the action sheet and made the following comments;

- Minute Number 92.4/10 (1) – Chair's Business  
It had been necessary to explore an alternative route in relation to the pension recovery, which had caused delay. In addition the POCA recovery had not yet been finalised. Once all the actions had been successfully concluded and recovery effected, consideration would be given to appropriate publicity.
- Minute Number 92.4/10 – Work Programme  
Any outstanding skills assessments were requested and once received a paper would be brought forward with training proposals.
- Minute Number 92.4/10 – Work Programme  
Following research elsewhere and dialogue with Grant Thornton on the best way to implement, a review of the effectiveness of External Audit proposals would be brought forward to the Committee's January meeting
- Minute Number 26.6/10 – Statement of Accounts  
The decision to purchase vehicles outright, rather than to lease had resulted from changes in the leasing market in 2008/09, it became more financially effective to use internal sources of finance.

- Minute Number 40.9/10 – Grant Thornton Governance Report on the Audit of Account 2009/10 and Inspection Plan Progress Report

The Grant Thornton Representative confirmed that the feasibility of a training seminar on the International Financial Report Standards (IFRS) had been explored and would be held some time in May 2011. As an important part of the service, this would be at no cost to the Council. All Councillors and Officers would be welcome to attend this seminar. The Service Director: Finance suggested that this could be dove-tailed with the Councils internal training on the Statement of Accounts. The Committee agreed that the timing of the training would be very important in order to ensure that Members are able to assess the Statement of Accounts effectively when presented.

- RESOLVED -**
- (1) that the action sheet be noted;**
  - (2) that the Head of Service: Finance liase with Grant Thornton in relation to supplementary internal training on the International Financial Reporting Standards (IFRS).**

**AC**

**54.11/10 WORK PROGRAMME**

The Chief Internal Auditor highlighted the following to be added to the work programme;

- International Financial Reporting Standards
- Updated Fraud Report

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

**AC**

**55.11/10 INFORMATION SECURITY UPDATE**

The Committee considered a report of the Strategic Director: Corporate Services (agenda item no. 9) updating on actions taken and progress made to reduce information security risks.

Significant work had taken place to assess and reduce information security risks within the Council, with more planned. A number of initiatives had been put in place and would be completed over the coming months.

The Committee were invited to ask questions and the following comments were made;

- i. Impact Levels - would the classification system be used to assess the level of risk? It was suggested that some directorates within the Council had more awareness of the Impact Levels than others.
- ii. Reference was made to the disappointing take-up of the computer-based training course, which had been introduced in line with the staff awareness campaign. As at today 37% had completed the course. The computer based training and the awareness campaign had been launched later than originally anticipated and more publicity was planned for the coming weeks. Publicity included another article on the Source, discussion in all management teams through the Team briefing system and posters in key areas. The data on who had completed the test had been completed and it would be hoped that 90% of staff would complete by January 2011. Members expressed disappointment at the low staff take-up rate and requested that all Senior Management staff should be encouraged to complete the training in order to ensure a positive message would be cascaded to all Council staff. All staff (apart from schools staff) had been given access to the test.
- iii. In reference to the ICT desktop infrastructure renewal, this was confirmed as a reference to the soft ware.
- iv. The Manager, Information Management, referred to the difficulty in identifying all breaches but highlighted that the system allows for queries to highlight the risks and challenge people, i.e. when mobile phones are lost. Additionally, when thefts are reported enquiries are always made to see if sensitive data had been held on the devices that had been lost/stolen

- v. It was suggested that anonymous reporting methods could be introduced. It was highlighted that although this was part of the whistle blowing policy but currently the link may not be clear. This would be incorporated into the publicity.
- vi. The Committee requested a further update on numbers of staff who had completed the computer based training at the January meeting. If concerns remained at the level of uptake a further report would be required for the April meeting.

- RESOLVED -**
- (1) that the report be noted;**
  - (2) that all Senior Management Officers should be encouraged to complete the information security training course as soon as possible;**
  - (3) that the BCC Whistle blowing policy should be incorporated in to the publicity related to Information Security awareness;**
  - (4) that the Audit Committee receive a further update at the January Audit Committee.**

**AC**

**56.11/10 GRANT THORNTON ANNUAL AUDIT LETTER 2009-10**

The Committee considered a report of the Chief Executive (agenda item no. 10), which introduced the Grant Thornton Annual Audit Letter 2009-10.

The external auditors presented the Report and summarised the Purpose and Audit Conclusions. The Letter would be published on the Council's website.

Particular reference was made to the following salient points;

- It was confirmed that the Council had good arrangements in place to compile the Annual Governance Statement (AGS) and to provide a strong Audit trail.
- The Council had appointed an external specialist to assist with the transition to preparing the accounts in accordance

with the International Financial Reporting Standards (IFRS) from 2010-11. This had accelerated the progress over the last few months and it would be envisaged that the Council would be on track to complete the opening balance sheet restatement exercise by October 2010.

- The Councils arrangements to prepare and submit grant claims have improved, seven out of the nine claims were received in accordance with central government department deadlines. A more detailed report would be provided in January.
- Reference was made to the introduction of corporate performance monitoring arrangements, which integrated both financial and performance information. Corporate Performance Scorecards would assist in enabling strategic performance management, to monitor performance across the whole Council.

The Committee were invited to ask questions and the following comments were made;

- i. The Service Director: Finance, confirmed that separate to the Transformation Team work, other Transformation Projects had been ongoing around the Council. There was no longer a Transformation Directorate and the Transformation Team was now based in the Deputy Chief Executive's.
- ii. The saving from the changes to the departmental administration units and the creation of the STS had been significant. £1 million had been saved in Neighbourhoods. A CYPS administration review had been completed as a result of the success in Neighbourhoods.
- iii. A team still had responsibility for Business Process Re-engineering. In departments where the volume of work had significantly increased, i.e. Housing Benefit, the BPR process had not always been successful.
- iv. Grant Thornton had confirmed that real savings had been made. This was reflected in the finding of the Resources Scrutiny Committee, which had also highlighted that savings would not always be a straightforward reconciliation.
- v. Following a query regarding the abolition of the Audit Commission, the Grant Thornton Representative referred to

a forthcoming joint meeting with CLG and the Audit Commission. The meeting would discuss the main principles of the recently submitted Audit Commission paper on outstanding matters to be resolved on the Commission's dissolution. Grant Thornton had been contracted to provide the Council's external audit service until 2013.

- vi. The Grant Thornton fee to the Council had been formulated in line with the scale fee, this would be expected to continue and reflected the progress made.
- vii. When the Audit Commission's abolition had been announced by the Minister, a management buyout had been the preferred option - other options were also being explored. The Chief Internal Auditor highlighted that the Audit Commission paper was available if any Member would like an electronic copy.
- viii. Councillor Gollop referred to the need to ensure procurement specifications were correct, which would ensure that agreed contracts specify precisely what would be required. The Committee agreed that savings would be identified by more accurate specifications and tendering processes. The Service Director: Finance suggested conducting benchmarking work with other Local Authorities in order to identify areas that could be improved. Finance and Audit could only challenge what they are qualified to do and need to ensure the approaches are correct and deliverable.
- ix. Independent Member Ken Guy asked the Committee to consider the importance of the quality of care providers and highlighted the concerns over the budgetary announcements that many charities had expressed. It would be the role of the professionals to balance the cost against the quality of service.
- x. From the 1<sup>st</sup> November 2010, the role of the Service Director: Finance included Corporate Performance and it was confirmed that the concerns would be moved forward and addressed.
- xi. The Committee agreed that the concerns regarding contract specification and the procurement systems should form part of a report to be presented to the Resources Scrutiny Commission.

- RESOLVED -**
- (1) that the report be noted;**
  - (2) that a report on contract specifications and procurement systems would be presented to the Resources Scrutiny Commission;**
  - (3) that a report on the work of the Corporate Performance team be brought back in due course.**

**AC**

**57.11/10 GRANT THORNTON FINANCIAL STANDING REPORT**

The Committee considered a report of the Service Director: Finance (agenda item no. 11) relating to the Final report of the Review of Financial Standing.

The Grant Thornton Representative explained that the review considered how the Council delivered effective in-year management reporting of financial information and how the outcomes would inform the use of resources work for 2009-10.

The report concluded with 9 recommendation and the following comments were made;

- i. The Committee agreed that they were impressed and pleased with the report.
- ii. Members queried the current reporting timetable. The report highlighted that the final outturn report for 2009-10 would be presented approximately five months after the most recent revenue monitoring report, leaving a significant gap in the financial year. The Committee expressed concern at the length of the reporting process. The Service Director, Finance referred to the need for clarification of the financial figures internally, before being released in the public domain. Part of the Managers' role would be to manage the operational budget and required an opportunity to verify information and form responses and actions prior to presentation to Members. Financial information would need to be viewed as part of the longer-term strategy and focusing on the present could prove to be dangerous.



- iii. Reference was made to the Management Action Plan. This complied with the framework and no changes were suggested. Following a debate with Grant Thornton, it had been confirmed that this had been in line with other Local Authorities. It was agreed that the codified framework showing the schedule of dates would be presented to the Audit Committee, this should provide the reassurance required. The report should include the dates information would be provided to Scrutiny Commission and the Cabinet and would include a comparison with other Local Authorities and Health Authorities. The Commission could request further information if necessary.
- iv. Reference was made to the temporary absence of Julie Masci from Grant Thornton, due to maternity leave. A replacement would be introduced at the next meeting. The Chair congratulated Ms Masci.

- RESOLVED -**
- (1) that the report be noted;**
  - (2) that the codified framework schedule of dates be presented to the Audit Committee. This should include the presentation dates to the Scrutiny Commissions, the Cabinet and a comparison with other Local Authorities and Health Authorities;**
  - (3) that the Audit Committee approve the nine recommendations as stated in the Grant Thornton report – *Bristol City Council Financial Standing – In Year reporting, August 2010.***

**AC**

**58.11/10 INTERNAL AUDIT: RISK MANAGEMENT ANNUAL REPORT 2009-10**

The Committee considered a report of the Strategic Director Corporate Services (agenda item no. 12) noting progress and areas for future developments regarding risk management

arrangements and requesting comments on the draft revised Risk Management Policy Statement.

The following comments were made;

- i. The Committee agreed that the result were unsatisfactory. The possible reasons for these results were discussed and it was suggested that the Risk Management Policy Statement was overcomplicated and lengthy. It was suggested a simplified version would assist staff in their understanding. The Chief Internal Auditor made reference to the guidance on risk management on the intranet pages, this supported the Statement, making it more user-friendly.
- ii. Reference was made for the need to be aware of the culture and staff perception. The results would not improve without better communication and until there had been a change in focus and/or perception levels of staff.
- iii. Particular concern related to the results from the Strategic Leadership Team. It was agreed that a poor result at this level would directly affect the scores of the staff below these senior Officers. Increasing the profile would be important in the current financial climate.
- iv. The Chief Internal Auditor confirmed that the in-house survey had been set to challenge and the results would inform the work programme. An analysis by directorate was available and would inform a dialogue with the directorate risk champions, part of the approach would be to identify the gaps and areas of concern.
- v. The Executive Members received updated risk registers on a regular basis and should be the primary contributor. The Audit Committee could see the completed Register for information as part of their agenda.
- vi. It was agreed that horizontal awareness of risk management would need to increase. The report provided to the Audit Committee and the resulting recommendations, would also be presented to SLT so further support on the way forward would be sought.
- vii. The Committee requested a presentation from two Risk Champions which would assist in understanding some of the challenges and would also highlight good practice relating

the creation of the risk register. The Service Director: Finance and the Chief Internal Auditor would liaise on who the appropriate Risk Champions would be.

- viii. The Chief Internal Auditor agreed to provide Ken Guy with a electronic copy of the Chartered Institute for Public Finance and Accounting (CIPFA) and Association of Local Authority Risk Managers (ALARM) benchmarking survey

- RESOLVED -**
- (1) that the report be noted; and**
  - (2) that the Audit Committee invite two Risk Champions to attend a future meeting to explore the challenges and good practice related to the creation of the directorate Risk Registers;**
  - (3) that the CIPFA/ALARM survey details be provided to Ken Guy.**

Councillor Mark Wright, Cabinet Member for Efficiency and Value for Money joined the meeting.

**AC**

**59.11/10 BENEFIT FRAUD INVESTIGATION TEAM: HALF YEAR REPORT AND UPDATE**

The Committee considered a report of the Strategic Director Corporate Services (agenda item no. 13) noting the half yearly report and further information on the Benefit Fraud Investigation Team.

At the 18<sup>th</sup> June 2010 meeting the Committee requested further information to outline the level of work arising in the team, the current staffing levels and the impact. The Chief Internal Auditor summarised the report and concluded that due to the staffing restrictions, not all cases could be investigated. Despite this, the Council would still be on target to meet the sanction performance levels originally set.

The following salient points from the report were reiterated;

- i. The Housing Benefit grant conditions stipulate that fraudulent claims must be investigated. A subsidy of 100% would be paid to the Local Authority for benefit that had been paid correctly and no loss is incurred. However, if the benefit has subsequently been identified as being a fraudulent claim, the rate of the subsidy would drop to 40%. The Local Authority would seek full recovery from the claimant and if this were successful, would retain the recovered amount, therefore making a surplus of 40%. Currently, the administration grant contains an unspecified amount for fraud work, and therefore it is unclear how much of the budget should be set aside for investigating fraudulent claims.
- ii. The Chief Internal Auditor highlighted the current Government directive to reduce fraud and the current frustrating arrangement with a lack of financial incentives.
- iii. Councillor Wright echoed the frustrations at the current arrangements and suggested contacting the Minister to reflect these concerns. It was agreed that the Chief Internal Auditor, the Service Director: Finance and Councillor Wright would draft a letter, the Audit Committee and the Conservative Group Leader agreed to support this.
- iv. In addition the topic would be;
  - discussed at the Core Cities Benefit Fraud Group
  - added to the Core Cities Audit Chairs' meeting agenda
- v. The Committee acknowledged that in the current financial climate it would be difficult to balance the need for additional investigative resources against the need to achieve reductions in expenditure. The Committee agreed that staffing levels should not be decreased.

**RESOLVED - (1) that the report be noted;**

**(2) that the Audit Committee (along with the Conservative Group Leader) would support the Cabinet Member's letter to the Minister regarding the frustrations felt surrounding the current lack of**

**incentives for reducing fraudulent benefit claims;**

**(3) that the Audit Committee would encourage the Core Cities groups to also contact the Minister reflecting this concern;**

**(4) that there should be no reduction in staffing level in the Benefit Fraud Team**

**AC**

**60.11/10 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**

**61.11/10 INTERNAL AUDIT – HALF YEAR PROGRESS REPORT**

The Committee considered an exempt report of the Strategic Director, Corporate Services (agenda item 15) noting the activities carried out by Internal Audit during the period.

The Chief Internal Auditor summarised the significant issues in the report;

- Significant Matter Arising from Internal Audit Work to Date,
- Follow up and Escalation Matters.

The Members were invited to ask question and the following points were highlighted;

- i. The Service Director: Finance confirmed that all risks previously assessed as *significant* or *of concern* had been resolved.

- ii. The Chief Internal Auditor agreed that the Local Ombudsman Report would appear as information item in future Audit Committee Agendas.

Councillors Hassel and Blythe left the meeting at 12.45pm.

**RESOLVED - (1) that the report be noted; and**

**(2) that the Local Government Ombudsman's Annual Review of Bristol City Council should be published as an information item in future Audit agendas.**

## **INFORMATION REPORTS**

**AC**

**62.11/10 NEIGHBOURHOODS (GENERAL FUND) DEPARTMENTAL RISK REGISTER**

The Committee considered a report of Mike Harding, Business Partner, Finance (agenda item no. 16) briefing on the development and content of the Risk Register for the Neighbourhoods Directorates.

**RESOLVED - that the contents of the register be noted.**

**AC**

**63.11/10 CHILDREN AND YOUNG PEOPLE AND SKILLS REPORT ON RISK REGISTER**

The Committee considered a report of Craig Bolt, Strategic Director Education Strategy & Targeted Support (agenda item no. 17) briefing on the development and content of the Risk Register for Children and Young People and Skills.

**RESOLVED - that the report be noted.**

**AC**

**64.11/10 DATE OF NEXT MEETNG**

**RESOLVED - that the next meeting of the Audit  
Committee be held on 28<sup>th</sup> January 2011  
at 9.30 a.m.**

(The meeting ended at 1.00 pm)

CHAIR