

**BRISTOL CITY COUNCIL**

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 11<sup>TH</sup> NOVEMBER 2011 AT 2.00 P.M.**

- A Councillor Weston (in the Chair)
- P Councillor Emmett
- P Councillor Hassell
- P Councillor Kiely
- P Councillor Brain
- P Councillor Clark
- P Ken Guy – Independent Member
- P Brenda McLennan – Independent Member

**AC**

**53.11/11 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS**

Apologies for absence were received from Councillor Weston. The Vice Chair, Independent Member, Brenda McLennan took the Chair for the duration of the meeting.

**AC**

**54.11/11 PUBLIC FORUM**

None

**AC**

**55.11/11 DECLARATIONS OF INTEREST**

None

**AC**

**56.11/11 MINUTES – AUDIT COMMITTEE – 30<sup>TH</sup> SEPTEMBER 2011**

A typing error was highlighted on page 17 of the agenda. Point iv should read *Avon Pension Fund – assets*.

**RESOLVED - that the minutes of the meeting of the Audit Committee held on 30<sup>th</sup> September 2011 be confirmed as a correct record and signed by the Chair.**

**AC**  
**57.11/11 WHIPPING**

None

**AC**  
**58.11/11 CHAIR'S BUSINESS**

i. The Chief Internal Auditor (CIA) referred to the Core Cities, Audit Chairs' meeting held at the Bristol City Council (BCC), Council House on Monday, 7<sup>th</sup> November 2011. The CLG presentation included information on the consultation responses and introduced the concept of an Independent Appointments Panel, which had not been included in the consultation. The response submitted by BCC had been taken in to consideration, it was noted that the concerns highlighted by the Core Cities had differed to some of the smaller Councils. A summary of the presentation would be circulated to the Audit Committee members and a further update provided at the January Audit Committee meeting.

ii. An invite to an Audit Committee Institute event, organised by KPMG, to be held on 29 November 2011 had been circulated to the Audit Committee members. The CIA would liaise with the organisation to confirm places available.

**AC**  
**59.11/11 ACTION SHEET**

i. Additional funding to Bishop Road School  
Information promised by various parties had not been provided. The Audit Committee members felt strongly that adequate time had been allowed and agreed that an additional Audit Committee meeting should be arranged before 31<sup>st</sup> December 2011. It was requested that the papers for this meeting be circulated more than a week in advance of the meeting to provide time for consideration of the information.

Cllr Emmett expressed concerns about the consequences of incorrect precedent, especially when the Education Department were already experiencing pressure. The processes should be clear, open and transparent. Clear guidance should be available to schools.

ii. Annual Governance Statement (AGS)

Following additional guidance the AGS development process would be moved back three months and the AGS would be presented at the September Audit Committee meeting along with the 'Statement of Accounts'. A paper covering thoughts on content for the AGS would be presented separately to both the Audit and Standards Committee in June and there would no longer be a requirement for a joint meeting.

iii. Grant Thornton – Audit Plan Progress Report

Internal Audit would continue to scope comparable Performance Indicators to allow future bench marking.

- RESOLVED -**
- (1) that an extra Audit Committee meeting be convened before 31<sup>st</sup> December 2011 to discuss the Internal Audit report considering Bishop Road School;**
  - (2)(a) that the Annual Governance Statement (AGS) be presented to the September Audit Committee for comment;**  
**(b) that the Annual Governance Statement (AGS) be presented to the June Standards Committee meeting for comment;**  
**(c) that the Joint Audit Committee/Standards Committee meeting would no longer take place;**
  - (3) that Internal Audit continue to scope comparable Performance Indicators with other Local Authorities to allow future bench marking;**
  - (4) that the updated action sheet be noted.**

**AC**

**60.11/11 WORK PROGRAMME**

Reports Financial Resilience and Recommendations from 2009-10 VFM report

The submission of these reports had been delayed as a result of the Council not being able to respond fully to the recommendations

in time. John Golding (JG), Grant Thornton Representative highlighted that discussions were ongoing in relation to the recommendations. The reports would be presented at the January Audit Committee.

ii. Summary of Gateway Reviews

The item had been included in the meetings papers as an information item.

**RESOLVED - that the work programme for 2011/12 be agreed.**

**AC**

**61.11/11**

**REVIEW OF INFORMATION SECURITY RISKS**

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 9) relating to the review of information security risks.

Bernadette Keen (BK), Information Security Manager was in attendance to present the report.

Councillor Barry Clark declared his interest in that he was an employee of an Information Technology Company.

BK updated the Committee on progress made in addressing the Information Security risk and particularly the take up of the employee training. The Information Management Department would now rate the risk as amber, rather than red.

The Chair referred to the Grant Thornton Interim Report recommendations, which suggested that BCC implemented an Intrusion Detection/Intrusion Prevention system to supplement existing protection from the BCC Firewalls. BK referred to the rationale for non-implementation of this, highlighting that the costs associated had not been considered value for money.

JG, Grant Thornton agreed that the reasons provided by BCC for non implementation of the recommendation were valid and the external auditors were satisfied that an adequate risk assessment had taken place.

The CIA confirmed that on going penetration testing took place and the responses to the findings audited.

The CIA suggested that the issue of intruder detection and prevention be reviewed in 12 months time when the Financial Management review paper has been prepared.

- RESOLVED -**
- (a) that a further review be completed in 12 months time when there is clarity over the Financial Management review;**
  - (b) that the report be noted.**

**AC**

**62.11/11**

## **LOCAL GOVERNMENT OMBUDSMAN COMPLAINTS STATISTICS**

The Committee considered a report of the Head of Corporate Communications (agenda item no. 10) providing details of the Local Government Ombudsman (LGO) complaints procedure and the subsequent complaints.

Tim Sheppard (TS), Corporate Complaints Manager was in attendance to present the report. The Committee were asked to note that complaints received by local authorities would be different to commercial organisations. Complaints often related to incorrect perception of what the service should deliver. The majority of complaints would not be upheld as the service had functioned as it should.

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

- i. Cllr John Kiely referred to his involvement with a recent complaint and highlighted that had been impressed with BCC response to the case. Cllr Kiely felt that the LGO response had not been satisfactory. Ward Members contact with the public mainly related to concerns and services at BCC should be improving from the feedback received. The Housing Department recorded a large number of complaints, tenants pay rent for a service which should be adequate for their needs. Cllr Kiely suggested that the Executive Member should be involved in assessing the number of complaints received.
- ii. TS confirmed that in Bristol there were over 30,000 tenancies and a high level of complaints about Housing Department. The direct nature of the service dictated a higher number of complaints but generally the service would be

considered good and would often resolve issues prior to a complaint being logged with the LGO. Any compensation payments made would be relatively small. A recent reduction in resourcing had affected the service and service delivery would not match expectations. The main reason for complaints related to neighbourhood nuisance issues. BCC would be required to work in a balanced way and data protection issues would also need to be taken in to account. Eviction and moving tenants would be a difficult and time consuming process and BCC would often be the focus of tenants' frustration. Departments would be asked to look at complaints to improve services, although it had been acknowledged that not enough pro-active assessment of complaints took place. The Local Taxation Department conducted recourse analysis, which assessed all complaints against the service to ascertain trends or patterns. Other BCC departments had been encouraged to follow this model - managers should want to know this type of information.

iii. As an Executive Assistant, Cllr Emmett referred to the need for the involvement of the Executive Members who should receive information on the complaints made to the LGO . The LGO had provided case studies and reports, which identified lessons learnt from looking at complaints received.

iv. LGO discretion could be used to dismiss a case if it agreed that there would no value in perusing a complaint.

v. Councillor Brain highlighted that in comparison to the rest of the budget the cost of the complaints would be small. Good practice should be communicated across BCC and brought to the attention of the Executive.

vi. TS referred to the developing Customers Services Strategy, which could be an opportunity to embed a process that assessed complaints. Further discussions would take place with Julie James, Service Director, Integrated Customer Service.

**RESOLVED - (a) that the Complaints Recourse Analysis process adopted by the Local Taxation Department be shared with the Executive Member with a recommendation that this be implemented across all services;**

**(b) that the Complaints Recourse Analysis procedure be considered for**

**inclusion in the Customer Services Strategy;**

**(c) that the report be noted.**

**AC**

**63.11/11 GRANT THORNTON: 2010/11 ANNUAL AUDIT LETTER**

The Committee considered a report of the Strategic Director Corporate Services (agenda item no. 11) requesting comments on the Grant Thornton's Annual Audit Letter for the year ended 31 March 2011.

JG, Grant Thornton introduced the report and the Annual Audit Letter which summarised the key issues arising from the work carried out in BCC for year ending 31<sup>st</sup> March 201.

The following points were highlighted;

- i. A date error was pointed out on page 56 under the Value for Money section, it should read 2010-11.
- ii. The Annual Audit letter would be published on the Audit Commission's website and the BCC website.
- iii. BCC would be on track to meet the required £28million savings, but this had been recognised as a huge challenge. Reference was made to the change from UK to International Financial Reporting Standards.
- iv. The report on Financial Resilience would be presented to the January Audit Committee meeting. This had been delayed due to ongoing discussion between BCC and Grant Thornton as to the way recommendations should be implemented. The GT concerns related to the robustness of savings at a directorate level. It is likely that this report will be combined with the 2011-2012 findings because of the delays.
- v. The 2011-12 Value for Money (VFM) recommendations have progressed at various rates and feedback took longer to gather than expected. Improvements would be required.
- vi. Cllr Emmett highlighted that the Resources Committee had completed an additional assessment of the budget and expressed disappointed that this had not been acknowledged in the recommendation to improve the robustness of savings.

vi. The Audit Committee were pleased that the actual audit fee and the estimated cost were virtually identical.

**RESOLVED - that the Committee note the report.**

**AC**

**64.11/11**

**INTERNAL AUDIT: RISK MANAGEMENT ANNUAL REPORT  
2010/11**

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 12) providing a summary of developments in risk management.

The CIA introduced the report and the following salient points were highlighted;

- i. The Draft Risk Management Plan and Policy had originally been created using examples of good practice from various sources and had continued to develop. Executive Members and Statutory Committees, including the Audit Committee Members could access on-line training, which were in the final stages of testing before being rolled out shortly.
- ii. The risk management methodology would measure the potential impact and the probability (or likelihood) of the risk using a basic 3 level rating of high, medium and low as shown in the matrix on page 83 of the papers. The CIA acknowledged that a 4 by 4, or a 5 by 5 matrix would allow a more detailed analysis of risk but the Committee agreed that it would be inappropriate to make changes to assessment in the current period of instability.
- iii. Councillor Hassell referred to the terminology 'catastrophic' and suggested it could more appropriate to use severe.
- iv. As the Executive Assistant and the current Risk Champion, Cllr Emmett confirmed that the Leader received overview updates.
- v. The CIA agreed to re-visit the probability approaches as the ratio between the two methodologies differed (page 85 of the papers).

**RESOLVED - (1) that the progress and areas for future development regarding risk**



**management arrangements in the City Council be noted; and**

**(2) that the comments of the committee on the draft Risk Management Strategy and Policy 2011 -2012 at Appendix B to the report be noted and acted upon.**

**AC**

**65.11/11**

**INTERNAL AUDIT: BENEFIT FRAUD INVESTIGATION TEAM  
HALF YEAR PROGRESS REPORT**

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 13) advising the committee on Benefit Fraud work undertaken during April – September 2011 and updates on further developments.

The CIA introduced the report;

- Benefit Fraud information would also be presented to Cllr Hopkins as the Cabinet Member for Targeted Improvements; Housing Benefit would be in his portfolio. The report would also be presented to the Leader for comment.
- On 16<sup>th</sup> September 2011 the DWP issued a consultation paper on the inclusion of local authority benefit fraud investigation teams within the proposed Single Fraud Investigation Service (SFIS). Results collated showed that 76% of respondents preferred option 1, which was also Bristol's preferred option – LA staff to remain employed by the LAs.
- BCC had previously written to the DWP highlighting concerns including the resource constraints at the Professional Division, DWP's solicitors. This concern had also been reflected in the consultation responses of other LAs.
- The DWP were now considering extending the time scales so that transfer would not take place until 2015. Ongoing discussion would be taking place with the DWP related to future staff working and TUPE considerations.

The following comments were made;

- i. The CIA confirmed that close working relations had been established with DWP by way of a secondment of the BFIT Manager to the DWP. Her Majesty's Revenue and Customs

(HMRC) had proved more challenging to work with and would not share information.

ii. Cllr Emmett referred to concerns over some techniques employed by the DWP regarding re-claiming over paid money – i.e. fraudulent payments.

iii. The CIA confirmed that in cases of official error, claimant error, or fraud the subsidy drops, however a local authority would be entitled to keep the 40% subsidy should the overpayment be fully recovered.

iv. An unspecified element of the Housing Benefit Administration Grant was deemed for fund fraud work, but it would be unclear if BCC had been spending in accordance with that amount.

v. The Prosecution Policy dictated when a prosecution should take place. Appendix 13(a) on page 102 sets out the number of prosecutions. Extra staff had been employed in 2005/06 so the actual number of prosecutions increased. A recent decrease in prosecution numbers had been the result of a reduction in staff.

vi. Cllr Emmet suggested that fraud prosecution work had financial implications in terms of a deterrent – the value of this would be hard to quantify.

vii. The CIA confirmed that in cases of fraud, BCC would apply for compensation, costs and also the use the Proceeds of Crime Act (POCA) to recoup money lost. The Press Office would report successful prosecutions.

**RESOLVED - that the Audit Committee accept the report and note current development in relation to benefit fraud work. That measurement of the deterrent affect of anti-fraud work be considered.**

**AC**

**66.11/11**

**INTERNAL AUDIT: PROGRESS REPORT ON IMPLEMENTATION OF GRANT THORNTON HIGH RISK RECOMMENDATIONS**

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 14) requesting comments as appropriate on management's progress with implementation of Grant Thornton's high priority recommendations.

**RESOLVED - that the Audit Committee note the management's progress with implementation of Grant Thornton's high priority recommendations.**

**THE MEETING THEN WENT INTO EXEMPT SESSION FOR THE FOLLOWING ITEM**

**AC**

**67.11/11 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**

**68.11/11 INTERNAL AUDIT: INTERNAL AUDIT HALF YEAR PROGRESS REPORT**

The Committee considered an exempt report of the Strategic Director, Corporate Services (agenda item no. 16) requesting comments on the Internal Audit Half Year Progress Report.

The following comments were made;

- i. The Audit Committee Members agreed that any reduction in Internal Audit resources should be avoided. If the department were a business a profit would be made.
- ii. The CIA confirmed that further National Fraud Initiative (NFI) work would be taking place - a more healthy position would be expected in the next round as a result of work done.

- iii. Any money reclaimed from fraudulent single person discounts and students exemption claims would go back into BCC budget.
- iv. Cllr Kiely expressed concern with the lack of centralisation of procurement. A corporate approach to procurement was suggested.
- v. The CIA confirmed that it would be the responsibility of Managers and individual services to monitor the contracted services. The Internal Audit service would look at controls.

- RESOLVED -**
- (1) that the Audit Committee note the activities carried out by the Internal Audit during this period;**
  - (2) that financial information on the single person discount be presented to the Audit Committee meeting in January 2012.**

## **INFORMATION REPORTS**

**AC**

### **69.11/11 CORPORATE SERVICES RISK REGISTER**

The Committee considered the report of Christine Castle, Business Support Manager, Corporate Services (agenda item no. 17) briefing the Committee on the review and update of the Directorate Risk Register for Corporate Services.

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

**AC**

### **70.11/11 SUMMARY OF GATEWAY REVIEWS**

The Committee received a report (agenda item 18) on the Changing Bristol Portfolio – Programme and Project Gateway Reviews.

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

**AC**

**71.11/11 DATE OF NEXT MEETING**

**RESOLVED - (a) that an extra Audit Committee meeting be convened before 31<sup>st</sup> December 2011 to discuss the Internal Audit report considering Bishop Road School;**

**(b) following this, the next meeting of the Audit Committee be held on 20<sup>th</sup> January 2012 at 2.00 p.m.**

(The meeting ended at 4.45 pm)

CHAIR