

BRISTOL CITY COUNCIL

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 19TH APRIL 2013 AT 2.30 P.M.**

- P Councillor Weston (in the Chair) (left 4.15 pm)
P Councillor Brain
P Councillor Emmett
P Councillor Hammond (left 3.30 pm)
P Councillor Hassell
A Councillor Kiely
- P Ken Guy) Independent Members
P Brenda McLennan)
- P Councillor Gollop, Cabinet Member for Finance &
Corporate Services

AC

78.4/13

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

Apologies of absence were received from Cllr Kiely.

AC

79.4/13

PUBLIC FORUM

The Committee agreed that the Public Forum item received would be considered under agenda item 9. Update on Code of Conduct Matters as it related to this item.

AC

80.4/13

DECLARATIONS OF INTEREST

None

AC

81.4/13

MINUTES - AUDIT COMMITTEE - 23RD JANUARY 2013

- Cllr Emmett and Independent Member, Ken Guy were absent at the meeting on the 23rd January – amendment to the attendance list required to reflect this;
- Cllr Hassell highlighted typographical errors which would be updated in the minutes;
- Cllr Hammond highlighted that his previous comments

related to the Grant Thornton reports highlighted reports created in colour were often difficult to read when reproduced in black and white;

- Cllr Weston highlighted the previous Committee recommendation that all risk registers should be printed in colour. The Democratic Service Officer noted the Council wide directive that all printing should be in black and white due to the high cost of colour printing; 40 pence per page in comparison to 4 pence per page. The Committee agreed that when presented to the Audit Committee the risk registers should be printed in colour and the Chair would contact the Democratic Services Manager to request this.

RESOLVED - (1) that the minutes of the meeting of the Audit Committee held on 23rd January 2013 be confirmed as a correct record and signed by the Chair;

(2) that the Audit Committee require all future risk registers be printed in colour. The Chair to contact Democratic Services to request this.

AC

82.4/13

WHIPPING

None

AC

83.4/13

CHAIR'S BUSINESS

Independent Members

a) The Chair confirmed that Independent Member Ken Guy had agreed to remain on the Audit Committee for an additional year.

b) Independent Member Brenda McLennan would be standing at the next election as an Independent candidate. The Committee agreed that Brenda would be permitted to remain on the Audit Committee for this meeting; the appointment would be reviewed following the outcome of the election.

The Committee agreed that during future recruitment of Independent Members it should be clearly communicated that no political affiliation would be permitted and they would strongly advise the applicants to refrain from standing for election while serving as an Independent Member on Audit Committee.

c) Letter to DWP

Following a recommendation at the previous meeting, the Chair had sent a letter of concern to the Department of Work and Pensions to highlight the Audit Committee's concerns related to the allocation of subsidy from the identification of fraudulent housing benefit payments. A response had been received noting that there are no proposals to change the current subsidy scheme in light of the proposed rollout of the Universal Credit scheme.

d) Councillor Hassell

Cllr Hassell would be standing down at the next election and therefore would not return as a Member of the Audit Committee in 2013/14. On behalf of the Committee, the Chair thanked Cllr Hassell for his hard work as a Member.

e) Recruitment of Independent Member

Interviews for the new Independent Member for Audit Committee (Standards matters) would take place on the 10th May.

AC

84.4/13

ACTION SHEET

109.4/12 Government Response to the future of Local Public Audit Consultation

In future, BCC would be required to appoint their own external Auditors for a five year contract. John Golding (JG), Grant Thornton Representative highlighted that the drafting Committee had received evidence and the bill would now be required to go through the Parliamentary process. It was unclear when the changes would be introduced or how they would work.

49.11/12 Children and Young Peoples Services Risk Register

Target setting had been discussed and would be included in future iterations of Directorate Risk Registers, together with the Corporate Risk Register. A one - off project to consider Risk Management across the whole Council would take place. The project would include consideration of Risk management at other Local Authorities and in the private sector. Senior Officers had suggested that the focus should be on high levels risks, which should be tackled directly. Results of the exercise would be presented to the Audit Committee.

65.1/13 Chairs Business – Core Cities Audit Committee Chairs Group

No further progress has been made in re-forming the Core-Cities

Audit Committee Chairs' Group, however Melanie Henchy-McCarthy, Chief Internal Auditor confirmed that Officer counterparts from other Core Cities continued to canvas their respective Chair's particularly if the Chair had changed due to elections.

The Audit Committee requested that MHM liaise with counterparts at Core Cities to suggest informal group working with Audit Committee Chairs from other Core Cities. An update would be brought to the Committee in June.

Cllr Hammond noted that all the Core Cities had given notice to the Local Government Association; this could provide to opportunity for more informal group work.

- RESOLVED -**
- (1) that the updated action sheet be noted;**
 - (2) that following election periods, Core Cities Chief Internal Officers would be asked to liaise with Audit Committee Chairs to suggest informal joint working arrangements.**

**AC
85.4/13**

WORK PROGRAMME

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

**AC
86.4/13**

UPDATE ON CODE OF CONDUCT MATTERS

The committee considered a report of the Service Director, Legal and Democratic Services (agenda item no. 9) considering adopting a procedure for hearings into whether or not a member has breached the Code of Conduct and noting the complaints received to date.

- a) Public Forum
 - The Committee considered the Public Forum received. The Senior Solicitor confirmed that the concerns would be addressed by altering the complaint summary related to the complaint in question and Bias and Pre-determination would be included in the case related to Councillor C "Allegation that a Councillor had a DPI at a planning meeting" (page 43

of the agenda papers). An individual who had made a number of complaints related to a Development Control (DC) Committee and had been dealt with. If the complainant remained dissatisfied then they would need to be report their concerns to the Ombudsman direct

- Cllr Gollop noted the importance of ensuring the public were not precluded from making complaints. The Senior Solicitor confirmed that currently the Constitution allowed Public Forum Statement to be anonymised. It was agreed that the Constitution should be reviewed to address this.
- The Committee noted the Councillors should remain anonymous when reviewing complaints in the public domain.

b) Procedure for Hearings

- The Senior Solicitor noted that the Committee could be asked to review complaints and the Procedure (circulated as part of the agenda papers) required approval.
- The Monitoring Officers would resolve the majority of complaints. Complaints that required escalation would be heard by a sub-committee of the Audit Committee (current Membership - the Chair, Vice- Chair and Cllr Brain), which would have delegated power.
- The Committee requested that the procedure be amended to ensure that responsibilities were clearly reflected. Following the first hearing the procedure would be reviewed and ways to streamline the process considered.
- The Senior Solicitor confirmed that the Monitoring Officer report would provide as much information as possible from the complainant. All witnesses would be interviewed and information included in the report but they would not be required to attend the hearing. Previously, the Standards Committee had considered complaints; four complaints had required a hearing in six years. There had been an increase in complaints over the past six months.

RESOLVED - (1) That the Complaint Summary related to Councillor C be amended to include the complaint suggesting Bias and Pre-determination. No further actions

would be required related to the Public Forum Statement received;

(2) that the Bristol City Council Constitution be reviewed in relation to the current acceptance of anonymous Public Forum Statements;

(3) that a procedure for hearings into whether or not a member has breached the Code of Conduct be adopted;

(4) that the procedure for hearing into whether or not a member has breached the Code of Conduct be reviewed following the first hearing;

(5) that complaints received to date be noted (with the amendments required in recommendation 1).

AC

87.4/13

LANDLORD SERVICES RISK REGISTER

The committee considered a report of the Service Director, Landlord Services (agenda item no. 10) to review the Risk Register and noting the improvement target projection summary.

Steve Barrett (SB), Service Director, Landlord Services introduced the report highlighting the salient points;

- Four high level risks were identified;
 - Failure to protect income streams;
 - Failure to deliver a balanced and sustainable business;
 - Death or serious injury
 - Failure to deliver high quality effective services for tenants.

The impacts of Welfare Reform were not yet known. In anticipation of negative impact, the Bad Debt provision had been doubled.

Risks related to the delivery of the business plan and the formal arrangements for housing revenue subsidy account had reduced. Significant financial savings were achieved in 2009 when the Housing Revenue Account was required to balance. The Localism Act had changed the requirements in relation to the management of HRA and introduced more flexibility.

Tenants satisfaction levels had risen to 82%, the highest level recorded.

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

- i. The non-statutory electrical safety tests were behind schedule (update to the risk register required). It was hoped to be on schedule by the end of the year.
- ii. The implementation of the Landlord Transformation Programme Tranche 1 and 2 were not dependent on each other. Tranche 1 was 95% complete. A developing business case would be presented to Cabinet this year.
- iii. Welfare reform would impact on landlords; a more clear understanding would be available in two to three months.
- iv. The business plan would continue to follow the Government rent schedule. BCC were legally permitted to set local rent but this would have an economic impact. The rent of new properties would be set at the larger rent straight away and the standard of re-let properties would be improved.
- v. The Landlord strategy would link to the strategic housing strategy and use the same headings; Meeting Housing need, Developing Affordable Housing etc.
- vi. Surveys recorded levels of customer satisfaction; traditionally the elderly were more likely to be satisfied. No huge pockets of dissatisfaction or issues of concerns were identified.
- vii. Some Councils had indicated their intention to review stock and to consider re-classifying bedrooms. BCC could consider some parlour properties in Knowle but this would be considered in a fair and transparent manner.
- vii. SB confirmed that a healthy elderly person occupying a two

bed property would not be financial penalised.

viii. Landlord Services were in a position to be a developing landlord and aimed to build over 500 homes in the next few years. One and two bed flats would be built in key areas. The Chair recommended increased numbers of one bed bungalows which could encourage elderly people to move out of larger family homes.

ix. The service aimed to address the specific needs of tenants, commissioning services to support residents to assist in maintaining tenancies. The business plan aimed to reduce risks on other risk registers.

The Chair requested a further update following implementation of tranche 2 and welfare reform (in approximately six months time).

RESOLVED - (1) that the updated Landlord Services Risk Register be reviewed and the improvement target project summary be noted;

(2) that a further update on the Landlord Services Risk Register be presented to the Audit Committee in six months.

**AC
88.4/13**

THRESHOLD FOR REGISTRATION OF GIFTS AND HOSPITALITY FOR MEMBERS

The committee considered a report of the Service Manager, Democratic Services (agenda item no. 11) considering increasing the current threshold at which members must register any gifts and hospitality.

The Senior Solicitor introduced the report from the Scrutiny and Governance Working Group, which suggested an increase in the threshold for registration of gifts and hospitality from £25 to £100.

The Committee discussed the report and agreed that in the interests of transparency the amount should not be increased. Gifts received above over this amount should be declared.

The Chair suggested and the Committee agreed to the introduction of a form (in keeping with the “lobbyist form” used in by Members

of Parliament). Members would be required to complete the form when invited and attending events when costs were unknown.

- RESOLVED -**
- (1) that the threshold for registration of gifts and hospitality remain at the current limit of £25;**
 - (2) that Members be required to complete a form to record attendance at events when costs were unknown.**

AC

89.4/13

THE APPOINTMENT OF HONORARY ALDERMEN

The committee considered a report of the Service Manager, Democratic Services (agenda item no. 16) endorsing the proposed Honorary Alderman.

The Committee unanimously agreed the report recommendation.

- RESOLVED -** that, due to their significant contribution to the local community as outlined in the report, the proposals that the title of Honorary Aldermen be conferred upon Brenda Hugill be endorsed and recommended to full Council accordingly.

AC

90.4/13

GRANT THORNTON'S AUDIT PLAN 2012/13

The committee considered a report of the City Director (agenda item no. 12) noting and commenting on Grant Thornton's Audit Plan for 2012/13.

John Golding (JG), Grant Thornton Representative provided an overview of the new format report. The report highlighted particular areas; the risks, the changes and which areas required focus.

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

- i. GT confirmed that the changes in Senior Management and

the introduction of the Mayor were featured in the plan; it would be important to ensure correct arrangements were in place.

ii. Cllr Emmett highlighted that the HRA would no longer be ring-fenced. This provided opportunities and flexibility and account governance would also be required. JG agreed that this should be included in the Plan.

iii. GT noted the positive collaborative work with the BCC Internal Audit department.

iv. The programmes used to certify grant claims was the same as that used by the internal Audit Department. Extractions would be tested and cyber concerns would be considered off line by an independent system.

v. An issue had been identified related to accounting for Academy Schools. Grant Thornton would need to be confident that BCC would benefit from Academies. This was a national debate that would need addressing.

The Chair noted that BCC had not been responsible for the introduction of Academy schools.

The Chair left the meeting and the Vice-Chair, Ken Guy took the Chair.

Cllr Gollop noted that Academies were funded per head and if numbers on roll reduced, BCC could be required to provide financial support. Cllr Gollop requested a private briefing to discuss the issue further (As the Cabinet Member for Finance and Corporate Service).

vi. Cllr Gollop commented on the positive and clear report. The business software approval system was able to produce positive controls, making assurances easier.

vii. JG asked the Committee to note that Grant Thornton were about to become a Corporate Member of Bristol Museums and would be paying £15000 to BCC. The Service Director Finance would be required to approve this.

RESOLVED - (1) that the Audit Committee note Grant Thornton's Audit Plan;

(2) that account governance of the

Housing Revenue Account be included in the Grant Thornton Audit Plan;

(3) that the Audit Committee note the Corporate Membership of Grant Thornton to Bristol Museums at a cost of £1500.

AC

91.4/13

**AUDIT COMMITTEE DRAFT ANNUAL REPORT TO COUNCIL
2012/13**

The committee considered a report of the Interim City Director (agenda item no. 13) commenting on the form and content of the Audit Committee's draft annual report to full Council.

Melanie Hency-McCarthy, Chief Internal Auditor apologised that Cllr Hammond had not been included in the Membership list. The report had been subsequently amended.

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

- i. The Committee agreed that the explanation related to Standards should be expanded to include Standards Policy Development.
- ii. In addition, the six challenges listed in the Grant Thornton Audit Plan (page 68) should be included in the report, these being;
 - Saving Requirements;
 - Implementation of new financial system;
 - Finance department reorganisation;
 - Election of the Mayor;
 - Local Government Finance Act;
 - Accounting for Schools.
- iii. The Committee agreed that subject to approval from the Chair, they were happy for the report to be submitted with the inclusion of the changes discussed.

RESOLVED - that subject to the changes listed, that the Audit Committee accept the report of the Audit Committee and note the assurances provided in the report.

AC

92.4/13

EXTERNAL AUDIT/BRISTOL CITY COUNCIL JOINT WORKING PROTOCOL

The committee considered a report of the Service Director, Finance (agenda item no. 14) noting and commenting on the External Audit/Bristol City Council Joint Working Protocol.

Melanie Henchy-McCarthy, Chief Internal Auditor introduced the report which clarified the responsibilities, timescales and actions for both the External Auditors and Bristol City Council in their joint working arrangements.

Cllr Brain noted that previous lack of responses to some External Audit recommendations in some departments. JG agreed that some parts of the Council were not responding in a timely way, this could be very frustrating when no logical rationale was provided for the delay. Identifying the responsible part of the Council was sometimes challenging.

Members agreed that the Audit Committee should be informed of problems with Council Directorates who were not responding to recommendations made by the external auditors.

The Audit Committee endorsed and fully support the document.

- RESOLVED -**
- (1) that the Audit Committee note the External Audit / Bristol City Council Joint Working Protocol;**
 - (2) that the Audit Committee be provided with information of Council directorates who were not responding to External Auditor recommendations in an appropriate time scale.**

AC

93.4/13

THE DRAFT 2013/14 AUDIT COMMITTEE WORK PROGRAMME

The committee considered a report of the Interim City Director (agenda item no. 15) noting for information and commenting upon the issues arising in respect of.

- The Committee agreed that the meeting currently scheduled

for 18th April 2014 (Good Friday) would be moved back to the 11th April 2013.

- Members requested information on policy review work required in relation to Standards work. MHM would liaise with the Monitoring Officer and update the work programme accordingly.
- The Committee requested that morning meetings be considered in 2013/14. This would be added as an agenda item for the first meeting on the 2013/14 municipal year.
- Standards complaints considered by the Monitoring Officer would be reported to the Audit Committee on a quarterly basis. The Chief Internal Auditor and the Senior Solicitor would consider the format of the reporting and present options to the next Audit Committee meeting.
- Following a concern highlighted by Cllr Hassell, the Committee agreed to write to the Chair of the Resources Scrutiny Committee to express concerns related to public transport subsidies and to request appropriate scrutiny takes place to ensure assessment of value for money.

- RESOLVED -**
- (1) that the Audit Committee meeting on the 18th April 2013 be re-scheduled to the 11th April;**
 - (2) that any Standards Policy Review work be included as part of the Audit Committee Work Programme;**
 - (3) that at the first Audit Committee meeting of the 2013/14 municipal year, the Committee consider moving all future Audit Committee meetings to Friday mornings;**
 - (4) that the Vice-Chair of the Audit Committee write to the Chair of the Resources Scrutiny Committee to highlight the Audit Committee concerns related to**

public transport subsidies and to request appropriate scrutiny takes place to ensure assessment of value for money.

INFORMATION REPORTS

AC

94.4/13

SUPPORT AND TRAINING PROVISION FOR SCHOOL GOVERNING BODIES AND CLERKS TO GOVERNING BODIES

The committee considered a report of the Service Director, Finance (agenda item no. 17) setting out the support and training provision for school governing bodies and clerks to governing bodies.

RESOLVED - that the findings of the Internal Audit (IA) review of Guidance and Training for members of School Governing Bodies and Clerks to Governing Bodies provided by the Governors Development Service (GDS) and the areas identified for improvement be noted.

AC

95.4/13

INTELLIGENT COUNCIL PROGRAMME

The committee considered a report (agenda item no. 18) regarding the intelligent council programme.

RESOLVED - that the report be noted.

AC

96.4/13

FINANCIAL PLANNING AND MANAGEMENT ARRANGEMENTS

The committee considered a report of the Service Director, Finance (agenda item no. 19) regarding financial planning and management arrangements.

Cllr Brain noted that the report identified some areas where BCC controls could be improved.

MHM noted that Cllr Gollop, Cabinet Member for Finance and Corporate Service had received the Audit Committee papers and

would therefore be aware of these areas.

RESOLVED - that the review of Bristol City Council's financial planning and management arrangements compared to those of Leeds City Council and areas identified for improvement be noted.

(The meeting ended at 4.55 pm)

CHAIR



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Work and Pensions

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Councillor Mark Weston
Chair of the Audit Committee
Bristol City Council
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27 February 2013

Dear Mark,

Thank you for your letter of 23 January regarding local authority funding for benefit fraud teams. I am sorry for the delay in replying.

In February 2012 the Department published a joint report with HM Revenue and Customs and the Cabinet Office outlining plans to tackle fraud and error in the tax credit and benefit systems. This set out the Government's plans for reducing fraud and error overpayments in the welfare system by one quarter (£1.4 billion) by March 2015.

With the introduction of Universal Credit in 2013, the benefits system will be made simpler and, as far as possible, the opportunities for fraud and error to enter our systems will be greatly reduced.

Complexity is one of the key problems of the current system of benefits and tax credits. Whilst the current system provides targeted support to meet specific needs, the net effect is an array of benefits, each with its own rules and criteria, which interact in complicated ways.

It is also characterised by overlaps and duplication. Benefits are administered by different national and local agencies. Claimants are required to communicate details of their personal and financial circumstances and any changes separately to each agency. The same information is often provided several times.

The complexity of the current benefit system makes it expensive and difficult to administer. This fuels error by administrators and claimants alike and also increases the opportunities for fraud.

Universal Credit will provide a new single system of means-tested support for working-age people who are in or out of work. Support for housing costs, children and childcare costs will be integrated in the new benefit. It will also provide additions for disabled people and carers.

Universal Credit will be a much simpler system. All elements will be assessed in a single claim which will remove the need to claim different means-tested benefits from different agencies. It will be easier for customers to understand their entitlements and easier to administer the system. This will reduce the scope for fraud and error.

Throughout the process of developing Universal Credit, we have been working with experts across the Department for Work and Pensions, HM Revenue and Customs and local authorities in order ensure that the details of the design and the delivery arrangements minimise the opportunities for fraud and error. A specialist security team is in place to develop robust protection for Universal Credit IT systems. Universal Credit will be protected by security systems which will integrate counter fraud, IT security and identity assurance capabilities.

The Universal Credit Impact Assessment which was published on 10 December 2012 estimates that in the long term Universal Credit will deliver £2.2bn of savings due to reduced fraud, error and overpayments together with changes to the current earnings disregards in tax credits.

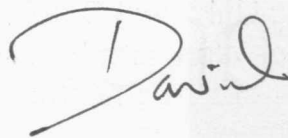
Universal Credit will be a more efficient and effective welfare system - one that will deliver benefits more quickly and easily to claimants. However, we also need to reduce the administrative costs for the taxpayer. Part of this reduction in costs will be made through a reduction in the overall numbers of staff required to administer the benefit system.

The Government does acknowledge the important contribution of experienced local authority staff in administering Housing Benefit and Council Tax Benefit. We also understand that these changes will have significant impacts on staff in all organisations currently administering benefits and tax credits and the concern that this causes.

The Single Fraud Investigation Service currently has 4 pilots which are testing the design of the new service and there will be additional ones during 2013/14 before we move into national roll out. These pilots will help us to understand the impact of any changes on local authorities and we have committed to undertake a New Burdens Assessment with the Department for Communities and Local Government and the devolved administrations.

In the meantime, this Department is committed to provide local authorities with funding to help support them with the costs of all aspects of administering Housing Benefit, and this includes anti-fraud activity. We have no plans to change the subsidy arrangements whereby Housing Benefit claims paid correctly by a local authority are reimbursed at 100 per cent whilst any claim found to have been subject to fraud is reimbursed subsidy at 40 per cent. We do encourage local authorities to pursue recovery of the full amount of the fraudulent claim, as any such recovery is kept in full by the authority in addition to the 40 per cent subsidy already received.

Yours sincerely,



Lord Freud

Minister for Welfare Reform