

**BRISTOL CITY COUNCIL**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD ON 28<sup>TH</sup> JUNE 2013 AT 2.00 P.M.**

P Councillor Brain  
P Councillor Emmett (arrived at 2.55 pm)  
P Councillor Hanby  
P Councillor Hopkins  
A Councillor Khan  
P Councillor Weston

P Ken Guy )  
P Brenda McLennan ) Independent Members

**AC**

**1.6/13**

**ELECTION OF CHAIR AND ELECTION OF VICE-CHAIR**

- RESOLVED -**
- (1) that Councillor Brain be elected Chair of the Audit Committee for the 2013/14 municipal year; and**
  - (2) that Independent Member Brenda McLennan be elected Vice-Chair of the Audit Committee for the 2013/14 municipal year.**

**AC**

**2.6/13**

**MEMBERSHIP OF THE COMMITTEE**

- RESOLVED - that the following persons be elected to serve on the Audit Committee for the 2013/14 municipal year:-**

**Councillor Brain  
Councillor Emmett  
Councillor Hanby  
Councillor Hopkins  
Councillor Khan  
Councillor Weston**

**AC**

**3.6/13**

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS**

Apologies for absence were received from Cllr Khan.

**AC**

**4.6/13**

**TERMS OF REFERENCE**

**RESOLVED -** that the terms of reference of the Audit Committee for the 2013/14 municipal year, as agreed by the Full Council at its meeting on 21<sup>st</sup> May 2013, be noted.

**AC**

**5.6/13**

**DATES AND TIMES OF MEETINGS 2013/14**

**RESOLVED -** that the Audit Committee meet on the following dates and times in the 2013/14 municipal year:-

**2013**

- Tuesday 24<sup>th</sup> September at 9.30 a.m.
- Friday 8<sup>th</sup> November at 9.30am

**2014**

- Friday 17<sup>th</sup> January at 9.30 am.
- Friday 7<sup>th</sup> March at 9.30 am
- Friday 11<sup>th</sup> April at 9.30 am.

**AC**

**6.6/13**

**DECLARATIONS OF INTEREST**

None

**AC**

**7.6/13**

**MINUTES – AUDIT COMMITTEE – 19<sup>TH</sup> APRIL 2013**

**RESOLVED -** that the minutes of the meeting of the Audit Committee held on 19<sup>th</sup> April 2013

**be confirmed as a correct record and signed by the Chair.**

**AC  
8.6/13 PUBLIC FORUM**

None

**AC  
9.6/13 ACTION SHEET**

84.4/13 Core Cities Audit Committee Chairs Group

Melanie Henchy-McCarthy (MHM) confirmed that liaison had taken place with counterparts at other Core Cities. Informal group working had been suggested to Audit Committee Chairs but no take up to date.

**RESOLVED - that the action sheet updated from the previous meeting be noted.**

**AC  
10.6/13 WORK PROGRAMME**

The Work Programme would be amended to add the following deferred items to the Audit Committee agenda in September 2013;

- Business Continuity Report – Update;
- Information Security Strategy.

**RESOLVED - that the updated work programme be note.**

**AC  
11.6/13 THE APPOINTMENT OF HONORARY ALDERMEN**

The committee considered a report of the Service Manager, Democratic Services (agenda item no. 12) deciding which nominations should be referred to full Council for consideration of Honorary Alderman status.

An additional report was circulated (appendix a to the minutes) which nominated Mr Brian Price for consideration.

**RESOLVED - that due to their significant contribution to the local community, as outlined in**

**the report, the proposals that the title of Honorary Alderman be conferred upon:**

- a. Steve Comer**
- b. Bev Knott**
- c. Dr. Jon Rogers**
- d. Brian Price**

**be endorsed and recommended to full Council accordingly.**

**AC**

**12.6/13**

### **BUSINESS CONTINUITY ANNUAL REPORT**

The Committee agreed to defer the report to the next meeting to allow more time for discussion on the other agenda items.

**AC**

**13.6/13**

### **UPDATE ON INFORMATION SECURITY**

The Committee agreed to defer the report to the next meeting to allow more time for discussion on the other agenda items.

**AC**

**14.6/13**

### **CORPORATE RISK REGISTER**

The committee considered a report of the Interim Strategic Director, Corporate Services (agenda item no. 15) reviewing and approving the Corporate Risk Register and noting proposed changes to the risk review methodology.

Peter Robinson (PR), Service Director, Finance introduced the report and noted the six areas which demonstrated a current risk status as high;

- Senior Management Capacity
- Impact of Economic Climate
- Children in Need
- Bristol Change Programme
- Flood Risk
- Welfare Reform.

Risk management methodology would be developed to reduce risk more effectively. Risk Owners would be asked to review and

challenge the information in the register and the effectiveness of the risk management strategies in respect of each risk. 'Target Risk' projections would form a basis by which to a) rationalise risks with no potential for further risk reductions and b) identify time scaled improvement plans for risk reduction which are both practical and achievable.

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

- PR confirmed that due to the election of the Mayor, Strategic Leadership Officer posts were employed on an interim basis. This allowed Mayoral input on the Officer structure of BCC moving forward. The risk had been recognised but required due to the changes in Executive arrangements.
- Some risks would always remain high due to their nature; mitigations would not reduce the level.

- RESOLVED -**
- (1) that the Corporate Risk Register, at appendix 3 to the report, be approved; and**
  - (2) that the proposed changes to the risk review methodology be noted.**

**AC  
15.6/13**

**DRAFT STATEMENT OF ACCOUNTS YEAR ENDED 31<sup>ST</sup>  
MARCH 2013**

The committee considered a report of the Service Director, Finance (agenda item no. 16) considering the draft Statement of Accounts for the year ended 31<sup>st</sup> March 2013.

An update statement of accounts was circulated (appendix b to the minutes). Reference was made to the recently revised guidance related to the treatment of Academy's. Assets, funded by PFI arrangements, were currently on the Council's balance sheet a number of adjustments would be required to the account, with the removal of £13m from the Councils balance sheet.

An informal briefing session would be arranged for Audit Members of the Committee prior to the September meeting where the account would be approved.

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

- PR confirmed that the increase in Pension Contributions had resulted from changes in the Actuary's assumptions, in particular the fall in long term expected rate of return on assets in the scheme. This exceeds favourable changes in assumptions regarding inflation, pay and pensions increases. Reviews of the employer's contribution to the pension fund would take three years, on the basis of an actuarial valuation. Actuarial valuations of pension funds were generally based on more optimistic assumptions than those used for accounting purposes, and result in a lower value of liabilities. The last valuation of the Avon Pension Fund, at March 2010, indicated a funding level of 82% (the funding level at the previous valuation, March 2007, was 83%). The current employer's contribution rate in respect of future service was applied from April 2012, together with a cash sum due as a contribution towards deficit recovery.
- The next valuation of the Fund is due at March 2013, but up dated data and contribution rates will not be known until around November 2013.
- Additionally, changes to the LGPS have been put forward by employers and the unions. The government has initiated a statutory consultation exercise in 2012/13 on proposals to make changes to the LGPS in 2014.
- Members expressed concerned related to the long term financial impact to BCC should the pension fund deficit continue to increase. Members suggested that Officers from the Pension Fund could be invited to a future meeting along with the BCC Representative on the Pension Fund Board.
- Members agreed that a joint Audit & Resources Scrutiny Committee would be arranged to discuss issues related to the increasing Pension Fund Deficit. Consideration should be given to the rising retirement age, policy / legislative changes and the approach of other Local Authorities.

- A representative from Human Resources would be invited to provide advice on membership of pension funds.

The Committee considered other issues within the statement and the following was noted;

- Officers confirmed that borrowing had been delayed due to the capital programme. Short term investments had risen.
- The Revenue Support Grant (RSG) had reduced from £43 million to £3million. In future the Grant would be known by a different name and the RSG amount would continue to reduce.
- The Chair noted that the accounts would be more stable in September and the Committee would be able to conduct a more robust interrogation.
- More detailed information regarding PFI was requested for the September meeting.
- Members were invited to submit written question via Karen Blong, Democratic Services Officer, prior to the next meeting.

- RESOLVED -**
- (1) that a joint Audit and Resources Committee meeting be arranged to address concerns related to the increasing Pension Fund Deficit;**
  - (2) that Audit Committee Members would submit written questions related to the Statement of Accounts prior to the next Audit Committee meeting in September;**
  - (3) that a more detailed explanation of the impact of changes to PFI arrangements be included in the Statement of Accounts;**

- (4) **that the Committee note the draft Statement of Accounts.**

**AC**

**16.6/13**

**GRANT THORNTON'S AUDIT FEE LETTER FOR 2013/14**

The committee considered a report of the Strategic Director, Corporate Services (agenda item no. 17) noting and commenting on the report setting out the proposed audit fee and outline work programme for 2013/14.

The Grant Thornton Representative confirmed that the fee remained the same as the previous year. The procedure for setting future external auditor fees had yet to be confirmed. An Authority would be required to provide 1 years notice prior to appointing a new auditor. The Audit Committee would be able to recommend an external auditor but Full Council would be responsible for making the final appointment.

**RESOLVED - that the Audit Committee note the Grant Thornton Audit Free letter for 2013-14.**

**AC**

**17.6/13**

**GRANT THORNTON'S PROGRESS REPORT FOR 2012/13**

The committee considered a report of the Strategic Director, Corporate Services (agenda item no. 18) considering the planned work and progress to date in the financial statement audit and the Value for Money conclusion work.

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

- The Chair highlighted that the Localism Act 2011 had introduced changes which had had affected the Governance Arrangements.
- Cllr Emmett noted that the role of the Mayor had not been defined from the outset. The Mayor has stated that he would listen to the view of Councillors (i.e. through Full Council) but that Mayoral decisions would not necessarily reflect these



views. A disconnection was suggested between evidence gathering and decision making.

- Ken Guy (KG) Independent Member suggested that the Audit Committee should assist in finding ways to manage the risk and ensuring sound governance arrangements.
- John Golding (JG), Grant Thornton confirmed that the Council decision making process should be legal and deliverable.
- Cllr Gollop (GG), Cabinet Member for Finance and Corporate Services noted that concerns related to governance, legality of decisions or financial expenditure would be the remit of the Audit Committee. The Mayor would be responsible for all decision making but would be required to consider the views of Full Council. The cross party Cabinet offered a robust challenge and opposition Councillors often had less input in the previous political arrangements. GG highlighted that the Mayor had made and implemented decisions and the changes were positive for Bristol. The Mayor would be required to adhere to the same governance rules as previous Administration.
- MHM confirmed that Internal Audit were aware of issues and would continue to monitor.

**RESOLVED - that the Audit Committee note the Grant Thornton Progress Report for 2012-13.**

**AC**

**18.6/13**

**BENEFIT FRAUD INVESTIGATION ANNUAL REPORT 2012/13**

The committee considered a report of the Service Director, Finance (agenda item no. 19) considering accepting changes made to the Benefit Fraud Policy Statement and reaffirming support for the counter fraud work being conducted by the Benefit Fraud Investigations Team.

Teresa Marsten, Benefit Fraud Investigation Manager presented the report and highlighted the significant issues. The number of staff had reduced to 5.5 Officers; the lowest of the core cities.

Future performance could be affected should departing staff not be replaced.

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

- TM confirmed that the Benefit Fraud Investigation Team (BFIT) focused on the cases that produce the best results. Procedure and processes were in place and the investigations were intelligence led. Should staff numbers reduce further this could have a negative impact on the service
- The Committee agreed that a further letter should be written to the Minister for Welfare Reform. The letter would re-iterate the Audit Committee's concerns as to how Local Authorities would continue to adequately support their counter Fraud effort with reductions in the DWP Grant and increasing budget pressures.
- Reference was made to the financial benefit of the BFIT. TM noted that BFIT had generated approximately £12 million of potential savings for the Council and the cost of the team was £1/2 million per year.
- The implementations of a robust procedure for the collection of housing benefit would be financially beneficial for BCC.
- The Chair, with cross party support would send a letter to the Mayor and Cabinet reiterating the Audit Committee's support for the work of the BFIT and Internal Audit in general through the budget negotiation process.

**RESOLVED -**

- (1) that a letter be drafted to the the Minister for Welfare Reform to re-iterate the Audit Committee's concerns as to how Local Authorities would continue to adequately support their counter Fraud effort with reductions in the DWP Grant and increasing budget pressures;**
- (2) that the Audit Committee continue to support the important work of the Benefit Fraud Investigation**

**Team and Internal Audit and a cross party letter of support be sent the Mayor and Cabinet;**

**(3) that the changes made to the Benefit Fraud Policy Statement be accepted and support for the counter fraud work being conducted by the Benefit Fraud Investigations Team be reaffirmed; and**

**(4) that the annual report be accepted;**

**AC**

**19.6/13**

### **SOCIAL HOUSING FRAUD – DCLG FUNDING**

The committee considered a report of the Service Director, Finance (agenda item no. 26) advising of the Council's successful bid to fund further Tenancy Fraud and misuse work.

The report was provided for information and the following was noted;

- Cllr Emmet suggested Ward Councillors should be able to access details of problem tenants within their ward.
- Teresa Marsten (TM), Benefit Fraud Investigation Manager noted that Estate Management training had taken place and the Housing Officer would provide a link. It had been approximated that it would cost £18,000 to house a family in temporary accommodation and as such this was used to calculate an indicative value to a recovered property. Tackling fraud would be a priority.
- Internal Audit would work to ensure that internal procedures were robust. Trading the service to other LAs / Registered Social Landlords would be considered in the future.

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

**AC**  
**20.6/13**

## **INTERNAL AUDIT PLAN 2013/14**

The committee considered a report of the Service Director, Finance (agenda item no. 20) considering the report which details the planning process and identifies key areas of focus for the year.

Melanie Henchy – McCarthy (MHM) presented the report, highlighting the reactive approach taken; planning Audit work on a quarterly basis. The plan was created following consultation with The City Director, Strategic Director, Service Director (Including the 151 Officer), other Service Directors and Managers and the External Auditor. Changes in the structure of the team would begin next month, with a split between a dedicated Fraud / Irregularity and Value for Money (VfM) Team and an Assurance Team.

The Committee were invited to ask questions and the following was noted;

- There were 2837 Audit days available per year.
- The Committee re-iterated the benefit of providing financial data in relation to fraud work completed.
- John Goulding (JG), Grant Thornton noted that outcomes of work would have a direct influence on next year's plan.

**RESOLVED - that the Internal Audit Plan for 2013/14 be approved.**

**AC**  
**21.6/13**

## **INTERNAL AUDIT – ANNUAL REPORT 2012/13**

The committee considered a report of the Service Director, Finance (agenda item no. 22) noting and commenting on the report which provides details of the work completed by Internal Audit during 2012/13 and the Chief Internal Auditor's overall opinion of the control framework.

**RESOLVED - that the Audit Committee cover report on the Annual report 2012/13 be noted.**

**AC**

**22.6/13**

## **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED - that under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act as amended by the Local Government (Access to Information) (Variation) Order 2006.**

**AC**

**23.6/13**

## **INTERNAL AUDIT – ANNUAL REPORT 2012/13 – APPENDICES**

Melanie Henchy- McCarthy (MHM), Chief Internal Auditor presented the Annual Report for 2012/13, noting the measures taken to address areas of concern;

- The Strategic Leadership Team (SLT) had been presented the report and an update report had been requested.
- Concerns related to the lack of recommendation implementation had been noted.
- BCC would be participating in a multi agency pilot exercise looking at Business Rate collection rates.
- Issues related to the implementation of the new Finance system had been noted. The Internal Audit Plan had allocated time to consider the challenges.
- Peter Robinson, Service Director, Finance referred to the letter printed in the Bristol Post paper which had also included the BCC response. The Cabinet Member for Finance and Corporate Services would receive regular briefings.
- Cllr Hopkins suggested that in incidents where errors by BCC were identified, a small amount of compensation should be considered.

- Cllr Gollop, Cabinet Member for Finance and Corporate Services highlighted the need for staff to resolve issues satisfactorily. All suppliers had been informed that an order number would be required to pay all invoices. The previous finance system had been assessed as high risk.
- MHM confirmed that when recommendations were not implemented issues were escalated to strategic director and SLT who will collectively take responsibility. The City Director has tasked SLT with proactively responding to recommendations.
- PR noted the need for additional resources to support the transition to the new finance system. Support had been provided for existing staff and duplicate payments were being investigated. The implementation of the finance system would resolve many issues but some of the problems with the system related to the complexity.
- JG re-iterate the need for an updated report at the next Audit Committee meeting. The External Auditors would continue to work closely the Internal Audit team.

- RESOLVED;**
- (1) that the Audit Committee note the internal audit report for 2012/13;**
  - (2) that an update report be provided to the September 2013 audit committee ;**
  - (3) that a preliminary update report be provided to the Chair, Vice-Chair and Group Lead Members be provided in August 2013.**

***RETURN TO OPEN SESSION***

**ANNUAL GOVERNANCE STATEMENT 2012/13**

The committee considered a report of the City Director (agenda item no. 21) approving the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2012/13 and to date.

Melanie Henchy-McCarthy (MHM), Chief Internal Auditor introduced the report which reflected some of the issues highlighted in the Internal Audit Report. The format of the report had altered in comparison to previous years and included all areas of improvement in the body of the statement. 12 items were noted as being significant.

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

- The Chair highlighted concerns related to issue number 7 – Lack timely performance and financial management information to enable effective decision making. MHM confirmed that concerns related to the financial management information would be addressed by the new finance system. Performance information would be gathered in various ways by different directorates. A centralised team would be considered to avoid duplication.
- Ken Guy (KG) Independent Member expressed grave concerns related to the AGS. The poor results could lead to issues around lack of confidence from the public and central government. Improvements should be structured over the next year and updated provided to each Audit Committee meeting.
- Members noted the significant issues related to the Metro bus (BRT) project; the funding gap that would need to be addressed.
- In reference to issue 12, Cllr Hopkins suggested that when Members overturned Officer recommendations at Development Control Area Committees it was often due to a lack of Officer preparation work. Comprehensive options should be presented. MHM highlighted that the work would focus on gaining an understanding of issues.

- Areas highlighted on the risk register but not included on the AGS would be closely monitored.

- RESOLVED -**
- (1) that the draft Annual Governance Statement be approved as a fair reflection of the internal control and governance environment during 2012/13 and to date, prior to it being finalised and signed by the Mayor, the City Director and the s151 Officer in September; and**
  - (2) that the final Annual Governance Statement come back as an information item in September unless significant changes are required due to control issues arising between June and September.**

## **INFORMATION REPORTS**

**AC**

**25.6/13**

### **CODE OF CORPORATE GOVERNANCE**

The committee considered a report of the Service Director, Finance (agenda item no. 25) noting the updated Code of Corporate Governance and considering a request to support the proposal to transform the Code of Corporate Governance into an interactive web document.

- RESOLVED -**
- (1) that the updated Code of Corporate Governance be noted; and**
  - (2) that the proposal to transform the Code of Corporate Governance into an interactive web document be supported.**

(The meeting ended at 5.40 pm)

CHAIR



**Brian Hugh Price**

Elected to Bristol City Council 1994 Retired 2009.

**APPENDIX (4) A**

Served on:

Personnel and Management Services/Corporate Services

Contract Services

City wide: Planning, Transport and Development Committee.

Social Services Committee

Education Committee

Appeals Committees

Policy and Resources/ Land and Property Committee

Housing Committee

Performance and Monitoring Scrutiny Commission

Resources and Best Value Scrutiny Commission

Select Committees

Education and Life Long Learning Scrutiny Commission

Social Services and Health Scrutiny Commission

CASM/Heath Scrutiny Working Group

Corporate Parenting Panel

Children's Services Scrutiny Commission

Heath and Social Care Partnership

Children and Young Peoples Trust Partnership

Learning Difficulties Partnership

Avon and Bristol Co-operative Finance Ltd.

Avon Fire and Rescue Authority

City of Bristol College, Governor