

## **DISCLAIMER**

**The attached minutes are DRAFT minutes. Whilst every effort has been made to ensure the accuracy of the information, statements and decisions recorded in them, their status will remain that of a draft until such time as they are confirmed as a correct record at the subsequent meeting.**

**BRISTOL CITY COUNCIL**

**MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE  
HELD ON 8<sup>TH</sup> NOVEMBER 2013 AT 9.30 AM.**

- P Councillor Brain (in the Chair)
- P Councillor Emmett (arrived at 9.45 am)
- P Councillor Hanby
- P Councillor Hopkins
- P Councillor Khan (left at 11.30 am)
- P Councillor Weston(left at 11.30 am)
  
- P Ken Guy - Independent Member
- P Brenda McLennan - Independent Member

**AC**

**42.11/13 APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND INTRODUCTIONS**

Apologies for absence were received from Assistant Mayor for Finance and Corporate Services, Cllr Gollop and Independent Member Christopher Eskell.

**AC**

**43.11/13 PUBLIC FORUM**

None.

**AC**

**44.11/13 DECLARATIONS OF INTEREST**

None

**AC**

**45.11/13 MINUTES – AUDIT COMMITTEE – 24<sup>th</sup> SEPTEMBER 2013**

- a) **32.9/13 Draft Audit Committee Work Programme- Public Transport Subsidies – action**

Melanie Henchy-McCarthy (MHM) Chief Internal Auditor confirmed that the discussion had related to achievement of Value for Money.

The Chair of the Resources Scrutiny Committee and the Chair of the Sustainable Development and Transport Scrutiny Committee would consult the Committee Members about the concerns raised.

**Action - The Chair of the Resources Scrutiny Committee and the Chair of the Sustainable Development and Transport Scrutiny Committee would consult the Committee Members about the Audit Committee concerns related to Public Transport Subsidies and Value for Money.**

**b) 33.9/13 Work Programme – Pension Fund meeting**

- The Committee requested that information provided prior to the meeting included the limitations of pension investments.
- Cllr Hopkins noted that many of the restrictions were self-imposed and not national legislation. Information should include options should Bristol City Council (BCC) opt out.
- An agenda conference would be arranged with the Audit Committee and Resources Scrutiny Committee lead members.

**Action – Karen Blong to arrange an agenda conference prior to the joint meeting on the 14<sup>th</sup> February 2013.**

- Mark Taylor (MT), Interim Service Director; Finance noted that the Avon Pension Fund Annual report would be published Friday, 15<sup>th</sup> November.

**RESOLVED - that the minutes of the meeting of the Audit Committee held on 24<sup>th</sup> September 2013 be confirmed as a correct record and signed by the Chair.**

**AC  
46.11/13 WHIPPING**

None

**AC  
47.11/13 CHAIR'S BUSINESS**

None

**AC**

**48.11/13 ACTION SHEET**

**Role of Audit Committee**

Cllr Hopkins referred to the role of the Committee, suggesting meetings could be used as a forum to highlight Member matters of concern.

Members noted the need to adhere to the Committee Terms of Reference. Concerns should be highlighted to Internal Audit in the first instance and escalated to the Chair of the Audit Committee if required.

**35.9/13 Statement of Accounts**

MHM referred to the meeting on 7<sup>th</sup> March 2014 which would consider the Explanatory Forward to the Statement of Accounts. The meeting would allow Members to reflect on the understandability of the document.

MT noted that the Chartered Institute of Finance and Accountability (CIPFA) would be creating a standardised Forward which could be used as a reference.

**RESOLVED - that the updated action sheet be noted.**

**AC**

**49.11/13 WORK PROGRAMME**

**RESOLVED - that the updated Work Programme be noted.**

**AC**

**50.11/13 UPDATE ON CODE OF CONDUCT MATTERS**

The committee considered a report of the Service Director, Legal and Democratic Services (agenda item 9) relating to code of conduct matters.

Ann Nugent, Legal Services was in attendance to present the report.

AN confirmed that the complaints made were not made by the same person or about the same Councillor.

**RESOLVED - that the summary of cases considered in the last quarter be noted.**

**AC**

**51.11/13 QUARTER 2: 2013/14 NEIGHBOURHOODS RISK REGISTER**

The committee considered a report of the Strategic Director, Neighbourhoods (agenda item 10) covering the second quarterly risk management review for 2013/14.

The following salient points were noted;

- The Welfare Reform risk in the HRA Business Plan linked to the potential loss of rental income. BCC worked with other agencies to offer support to tenants who struggled to pay rent; offering support to manage budgets, to move to smaller accommodation or to swap properties. All potential issues were addressed in the business plan.
- Most Local Authorities had taken a similar approach and were managing the changes introduced by welfare reform. Some tenants had issues paying rent before the changes. An eviction policy would be required as an ultimate threat if people failed to pay their rent or engage with support offered.
- The Audit Committee requested a copy of the report to be presented to the Housing Management Board

Workshops (corporate and directorate) would be arranged and risks considered at a service level initially and priorities escalated to directorate level. Service Directors would consider risks as they migrate from service to corporate level.

- It would be impossible to eradicate all risk. Appendix 2 to the report demonstrates the direction of travel and provides assurances that mitigations were in place against all risks.
- The Chair noted the usefulness of the information table showing the direction of travel.

**Action – The Housing Management Report to be circulated to the Audit Committee.**

**RESOLVED - that the Neighbourhoods Directorate Risk Register be approved.**

The committee considered a report of the Strategic Director Regeneration (agenda item 11) covering the second quarterly risk management review for 2013/14.

As part of the discussion, the following points were discussed;

**Flood Risk**

- Due to a large amount of national flooding in 2007, Central Government introduced national legislation which required Local Authorities to take a co-ordination approach in times of flooding. Six weekly meetings were held with the Environment agency to consider issues and the Department for Environment, Food and Rural Affairs (DEFRA) provided funding.
- Work had taken place to consider the effect of rain fall and surface water and a better understanding had been gained on potential threats.
- A data base had been created to send out alerts in cases of flooding and BCC would be responsible for mitigating risks, for example, checking gullies.

**Severe winter weather**

- The salt storage site on Hartcliffe Way which would need to be moved when the re-cycling centre was built. Rob Gilmore, Programme Manager - Regeneration would ascertain if new salt storage sites had been explored and circulate the information to the Committee.
- The wording on the risk register related to the archiving of pre 2005 planning applications would be amended to state that documents would be accessible in the future.

**Management and Delivery of Major Infra-structure Projects**

- The directorates had initially identified the risk. If major infrastructure projects went ahead, the risks would be escalated to the corporate risk register.

**RESOLVED -**

**(1) that the Regeneration Directorate Risk Register, subject to the amendments requested, be approved;**

**(2) Rob Gilmore, Programme Manager - Regeneration to ascertain if new salt storage sites had been explored and to circulate information to the Committee.**

**(3) that the risk register be amended to state that archived material would be accessible in the future.**

**AC**

**53.11/13**

## **QUARTER 2: 2013/14 CHILDREN AND YOUNG PEOPLES SERVICES (CYPS) RISK REGISTER**

The committee considered a report of the Strategic Director Strategic Director, Children, Young People and Skills (agenda item 12) covering the second quarterly risk management review for 2013/14.

Craig Bolt (CB) introduced the report and the following was noted;

### **Children in need**

- The Local Authority would have a duty to provide services for Children in Need and Children in Care. It was hoped that the risk target of 4 could be reached by March 2015.
- The First Response Services (how public services and professionals alert the LA to concerns and setting up multi-agency teams) had been re-modelled. The statutory care teams would be re-modelled and re-organised; project management and risk registers were required. The Corporate Parenting panel, which had Members representation, fulfilled the key function of scrutinising performance, actions taken, outcomes delivered and futures plans related to corporate parenting in Bristol.
- Independent Member, Ken Guy expressed concerns at the time taken to implement improvements. MT noted that until joint working in agencies has been embedded and the establishment of case reviews, the risk status could not be reduced. Even with mitigations in place, BCC would not be able to remove the risk completely.

### **Demand for school places**

- An update report had recently been presented to Cabinet. The number of school places remained a risk but a significant number of places had been delivered. Pressures remained related to Special Education Needs (SEN) provision and further work would be required.

- A significant number of additional secondary school places would be required in 2017 and planning would be important. There were currently 4000 year 7 places in Bristol and 6000 two year old in the City.
- The majority of secondary schools had space to expand and Infant class size legislation (which restricted class size to 30) would not apply. Secondary schools tended to be commercially minded in comparison to primary schools.
- Modelling would take place to predict how many secondary school places would be required and information shared with Secondary School and Further Education Providers. The number of children lost between primary and secondary schools in Bristol had reduced; 25% to 11% last year.
- The status and number of Academies would also be considered as part of the modelling process.

**RESOLVED - that the CYPs Directorate Risk Register be approved.**

**AC**

**54.11/13 GRANT THORNTON'S ANNUAL AUDIT LETTER FOR 2012/13**

The committee considered a report of the Strategic Director Organisational Development (agenda item 13) relating to Grant Thornton's Annual Audit Letter for the year ended 31<sup>st</sup> March 2013.

John Golding (JG), Grant Thornton introduced the report. The following points were noted as part of the discussion;

- Grant Thornton had been invited to attend the Overview and Scrutiny Management (OSM) Board meeting to discuss issues related to scrutiny.
- Concerns related to the reconciliation of accounts were mainly the result of the previous financial system. It was hoped that this problem had been addressed with the introduction of ABW.
- MT noted the importance of ensuring that all finance officers had knowledge of the accounts; all officers should be able to produce accounts as part of their professional development. Finance Officers would soft close the accounts before the end of the year to ensure smooth procedures were in place.



- A report on the Appropriate Governance Structure would be complete in January. Governance related to the culture of the organisation and the City Director had clear views about the future of BCC.
- Following the Mayoral address in November, a financial proposal for 2014/15 would be available for consultation. The Executive Board have scrutinised the SLT proposal and the current required savings were calculated at £87.4million (over three years).

**RESOLVED - That the Grant Thornton Annual Audit Letter for the year ended 31<sup>st</sup> March 2013 be noted.**

**AC**

**55.11/13 BENEFIT FRAUD INVESTIGATION HALF YEAR REPORT 2013/14**

The committee considered a report of the Strategic Director Organisational Development (agenda item 14) providing an update report on the work of the Benefit Fraud Investigation Team.

Teresa Marston, Benefit Fraud Investigations (BFI) Manager introduced the report, noting the following;

- The report included information on Performance and appendix 2 provided full details of the financial impact of the work of the BFIT work. Over £300,000 had been identified to date.
- The uncertainty regarding future funding for benefit fraud investigation and the implementation of the Single Fraud Investigation Service (SFIS) had resulted in staff seeking new work opportunities outside Bristol City Council. Due to the staff reductions it would not be possible to guarantee the same level of performance in the future. The Bristol BFIT were already poorly resourced compared to the other core cities.
- Staff were leaving due to uncertainty about their future; the Transfer of Undertakings (Protection of Employment) Regulation (TUPE) arrangement to SFIS were uncertain. Meetings had taken place with Human Resources (HR) and the Department of Work and Pension (DWP) were responsible for providing information on timescales.
- Central Government funding for Benefit administration had reduced by £1/2 million this year.

- The SFIS would be a national organisation with responsibility for all social security benefit fraud. Regional teams would operate and it would be highly likely a team would be based in Bristol. BCC would remain responsible for administering housing and council tax benefit until the introduction of universal credit.
- BCC would be able to assess if the volume of benefit fraud work in Bristol had reduced by comparing the current levels with monitoring information collated by SFIS.
- The BFIT and the professional body had lobbied MPs for further information to be provided; the SFIS business plan had been requested.

The Audit Committee discussed the report and the following was noted;

- Cllr Weston expressed frustration that no Core Cities Audit Chair meeting existed; other core cities would also be concerned about the lack of information available.
- Cllr Emmet re-iterated the importance of the deterrent effect of the work; the benefit to the wider community.
- Fraudulent claims mainly related to undeclared capital, people living together or people working and claiming benefits. Further information would be provided in BFIT annual report.

## **RESOLVED -**

- (1) that the benefit fraud investigation half year report be accepted;**
- (2) that the Benefit Fraud Investigation Team Annual Report to include a breakdown of the type of fraud which has resulted in prosecution;**
- (3) that the Chair of the Audit Committee will contact the Mayor asking that the local MPs be lobbied to seek information on development of the Single Fraud Investigation Service;**
- (4) The Chair to release a press statement highlighting the good work of the Benefit Fraud Investigation Team.**

**AC**

**56.11/13 ANNUAL REPORT - STRATEGIC RISK MANAGEMENT**

The committee considered a report of the Strategic Director Organisational Development (agenda item 15) providing a summary of the key developments made to risk management during 2012/13 and this year to date.

Melanie Henchy-McCarthy (MHM), Chief Internal Auditor introduced the report and asked the Committee to provide a steer regarding the presentation of risk registers to Scrutiny Committees, in addition to consideration at the Audit Committee. The Internal Audit team to work with directorates to guide risk management until the process became embedded.

MT referred to the commitment of the City Director to embed risk management.

The Committee agreed that it would be beneficial for the Scrutiny Committee(s) to consider the risk registers prior to presentation at the Audit Committee.

**RESOLVED -**

- (1) that progress be noted;**
- (2) the action plan for future development regarding risk management arrangements in the City Council be endorsed; and**
- (3) that risk registers be considered by Scrutiny Commissions prior to presentation at the Audit Committee.**

**AC**

**57.11/13 INTERNAL AUDIT - QUARTER TWO UPDATE REPORT**

The committee considered a report of the Chief Internal Auditor (agenda item 16) providing a quarterly update and summary of work carried out to date.

Melanie Henchy-McCarthy (MHM) introduced the report and the following points were noted as part of the discussion;

- The Chair noted the 'Of Concern' opinion had been likely; the Committee expect improvements to be reflected in the quarter 3 report.

- Assessment centres had been used in the recruitment of tier one and two officers, assured understanding of corporate responsibilities.
- Significant projects aimed to change previously ingrained behaviours and would result in a more compliant and controlled organisation over time. The Finance Accounting Board and the Corporate panels were introduced as some managers lacked the required skills to manage these areas correctly. The culture change would take time to embed and some staff would be resistant to change.
- MT confirmed that changes to management structures and the fraud team were expected but there were no proposals to reduce the Internal Audit team's budget. The post of Chief Internal Auditor had been appointed on interim basis, consideration of budget changes would be required and joint working with neighbouring authorities would be explored.

**RESOLVED - That the update report be noted.**

**AC**

**58.11/13**

**INTERNAL AUDIT CHARTER, STRATEGY AND TERMS OF REFERENCE**

The committee considered a report of the Chief Internal Auditor (agenda item 17) related to the introduction of new mandatory standards for Public Section Internal Audit and review.

As part of the discussion, the following was noted;

Located within Organisational Development Directorate, the Chief Internal Auditors would be line managed by the Service Director, Finance. MHM confirmed that the Chief Internal Auditors' felt confident that concerns could be reported at an appropriate level. Internal Audit operated within a framework which allowed unrestricted access to senior management and Members, particularly the Mayor, the Chair of Audit committee, the Strategic Leadership Team and the City Director.

- It was agreed that wording in section 1.2 would include information on the reporting opportunities for Internal Audit.

**RESOLVED -**

- (1) That the introduction of new mandatory standards for Public Sector Internal Audit be noted; and**
- (2) That the revised Internal Audit Charter, Strategy and Terms of Reference be approved;**
- (3) That the wording in section 1.2 be amended to include information on the reporting opportunities for Internal Audit.**

The meeting ended at midday.

CHAIR