

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

11th July 2014

Report of: the City Director

Report Title: Draft Annual Governance Statement 2013/14

Ward: Citywide

**Officer presenting report: Melanie Henchy-McCarthy/ Alison Mullis, Chief
Internal Auditor(J/S)**

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RECOMMENDATION

The Audit Committee approve the draft Annual Governance Statement as a fair reflection of the internal control and governance environment during 2013/14 and to date, prior to it being finalised and signed by the Mayor, the City Director and the s151 Officer in September 2014.

The final Annual Governance Statement to come back as an information item in September unless significant changes are required due to control issues/resolutions arising between July and September.

SUMMARY

The City Council is required by the Accounts and Audit Regulations 2011 to prepare an Annual Governance Statement to accompany its published financial statements. A review of the internal control, risk management and governance arrangements has taken place and the resulting draft Statement and action plan is attached to this report.

The significant issues in the report are:

- the requirement for the Annual Governance Statement
- the review process undertaken to enable the Statement to be made
- the draft Annual Governance Statement is attached together with an action plan which details the most significant control and governance issues identified both in the previous year 2012/13 and during 2013/14 together with the actions for improvement in these areas which have either reached completion or are in progress.

Policy

Publication of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2011. Additionally, the Council's Risk

Management Policy Statement requires the Audit Committee to review the Annual Governance Statement to ensure it accurately reflects the internal control, risk management and governance arrangements in place.

Consultation:

Internal: Mayor, Executive Member, Strategic Leadership Team (SLT), Section 151 Officer, Audit Committee, other relevant officers (Monitoring Officer, Chief Internal Auditor)

External: None necessary

1. Introduction

- 1.1 Arising from the Accounts and Audit Regulations 2011, the Council is required to conduct an annual review of its system of internal control, and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any shortfalls are identified and addressed.
- 1.2 The Annual Governance Statement must be a fair reflection of the internal control and governance environment during 2013/14 up to the date of being signed by the Mayor, City Director and Section 151 Officer alongside the 2013/14 Annual Statement of Accounts in September. The External Auditors will review the draft AGS in detail as part of their audit of the Statement of Accounts for 2013/14. The AGS will be updated in September to reflect any governance changes that have occurred since this report. We propose to bring the final AGS as an information item to the Audit Committee in September if there are no significant changes to this draft. However, if there are significant changes required, the AGS will be presented to the Audit Committee as an agenda item in September for final review.
- 1.3 The Accounts and Audit Regulations 2011 also specify that the AGS is considered by “the organisation itself, or a Committee of the organisation”, and this requirement is being met by this submission to the Audit Committee.

2. Draft AGS

- 2.1 The draft AGS describes the Council's governance framework and the review process. It then sets out, in the appended action plan, significant issues regarding the governance and internal control environment which were identified in 2012/13 and those identified in-year during 2013/14, together with details of improvement action which has taken place and the issue's status at this time. In determining the issues to disclose, in the absence of specific AGS guidance, account has been taken of the previous Chartered Institute of Public Finance & Accountancy (CIPFA) guidance on the Statement on Internal Control (the forerunner to the AGS). This includes considering whether the issues had:
 - seriously prejudiced or prevented achievement of a principal objective

- resulted in the need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the business
- a material impact on the accounts
- been considered as significant for this purpose by the audit committee or equivalent
- attracted significant public interest or had seriously damaged the reputation of the Council
- resulted in formal action being taken by the Section 151 Officer/Monitoring Officer
- received significant adverse commentary in external inspection reports and which the Council has not been able to address in a timely manner.

2.2 The Statement describes the Council's key governance arrangements including:

- the Constitution
- strategic and decision making governance
- operational governance
- assurance mechanisms in place to ensure governance arrangements are functioning appropriately

2.3 As with 2012/13, the review process examined a wide range of internal control and governance processes. It included:

- meeting with Strategic Directors and other key officers within the Council, where appropriate
- obtaining written assurances with respect to specific governance areas
- obtaining and reviewing all External Audit and Inspection reports, Internal Audit reports and management monitoring reports
- a review of all corporate risk register items
- the scrutiny and evaluation of the information obtained
- determining significant control issues within the definition agreed for disclosure
- consultation with the Audit Committee, Mayor and SLT.

2.4 In addition to enabling the drafting of the AGS, this process has provided an opportunity for the review and evaluation of control issues throughout the Council. Where appropriate, the issues identified in the AGS will be included in the Corporate Risk Register (CRR), and progress on the actions to address the issues will be monitored and reported to SLT and Cabinet where appropriate.

2.5 In summary the matters arising in the Statement and appended Action Plan are as follows:

Issues which arose in 2012/13 which have now been sufficiently resolved to no longer be considered AGS items :

- Item 1:Senior Management Capacity
- Item 2:Capital Projects
- Item 3:Information Security
- Item 4:Decision Making

- Item 5: Mayors Forward Plan
- Item 6: Care Charging Policy
- Item 7: Development Control Area Committees
- Item 8: Constitution
- Item 9: Metrobus (BRT) Project

Issues identified in 2012/13 which although having made good progress during the year, remain an AGS item until full resolution has been achieved and/or the impact/benefits are fully realised, together with issues which have arisen during 2013/14 which are also demonstrating good progress towards resolution:

- Item 10: Performance Management and Reporting (12/13)
- Item 11 : Change Programme – Impact on Control Environment - (12/13)
- Item 12: Financial Governance (12/13)
- Item 13: Use of Consultants – (12/13)
- Item 14: Scrutiny Function (13/14)
- Item 15: Policies and Procedures (13/14)
- Item 16: Partnership Governance (13/14)
- Item 17: Commercial Contract Management (13/14)
- Item 18: Quality of Service/Complaints system (13/14)

Issues identified in 2013/14 which require urgent attention:

- Item 19: Schools Corporate Governance

2.7 Following its review of the 2012/13 AGS, the Council's external auditors concluded that the arrangements for preparing the AGS were sufficiently robust and no adjustments were required to its presentation. It is anticipated that the 2013/14 AGS preparation will similarly satisfy the external auditor's expectations.

Other Options Considered

None necessary

Risk Assessment

Failure to publish an appropriate and accurate Annual Governance Statement would be a breach of the Accounts and Audit Regulations 2011 and would attract adverse comment from the Council's external auditors.

Disclosures of significant control weaknesses in a public statement could result in adverse press coverage. Hence the wording of the disclosures has been discussed with the SLT to minimise this risk. The document has also been discussed with Corporate Communications prior to publication.

Equalities Impact Assessment

None necessary for this report

Environmental Impact Assessment

None necessary for this report

Legal and Resource Implications

Legal - none sought.

Resources - none arising from this report, however resource implications may arise if the Council fails to maintain a robust control, risk and governance environment.

Appendices

Appendix A - Draft Annual Governance Statement and Action Plan 2013/14

LOCAL GOVERNMENT ACCESS TO INFORMATION

Background Papers
Audit Committee Terms of Reference
Risk Management Policy Statement
CIPFA guidance on the requirements re the SIC.
CIPFA/SOLACE Guidance on the Annual Governance Statement



DRAFT
ANNUAL GOVERNANCE STATEMENT
2013-14

FORWARD:

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1 Scope of Responsibility

- 1.1 Bristol City Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Additionally, the Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively.
- 1.2 In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for risk management and internal control systems.
- 1.3 This statement explains how the Council endeavours to deliver good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011, which require the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control.
- 1.4 This Statement should be read in conjunction with the Council's local Code of Corporate Governance ([the Code](#)), which was approved and adopted by the Council in January 2009 and is revised annually.
- 1.5 The Code provides in depth details of the framework the Council has in place to meet the six core principles of effective governance, as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society Of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government'. A copy of the Code is available via the above link or on the Council's website.

2 The Council's Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of the Council's strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.
- 2.3 The system of internal control encompasses the policies, processes, tasks, behaviours and other aspects of the authority that, taken together facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Council's aims and objectives.

3 The Constitution

- 3.1 The Council has a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. Some of these processes are required by law, while others have been decided by the Council. The Constitution is available to the public on the Council's website.
- 3.2 The constitution was amended in May 2013 to address anomalies in legislation since the last review and to clarify the roles and responsibilities of the elected Mayor. A fundamental review of the Constitution was recommended by the Council's external auditors in 2013/14 and a full review has been undertaken as part of the Boundary review with a revised governance structure agreed by Full Council in June 2014. *(Please see item 8 in Appendix A)*

4 Strategic and Decision Making Governance

The following details the strategic and decision making governance arrangements in place within the Council, many of which are specifically required by the Constitution:

- 4.1 In 2013/14 the Council continued to maintain its spending plans and priorities as set out in the three year Medium Term Financial Plan for 2012/13 - 2014/15. However during the year as the Elected Mayor's visions for the future of the City became clearer a set of interim corporate strategy themes were agreed by the Strategic Leadership Team (SLT) in order to re-align the vision of the Mayor to the Council's longer term strategy. Progress against these themes was monitored by the Mayor and the Strategic Leadership Team (SLT). The themes were as follows:
- Active and creative
 - Learning and working
 - Caring and protective
 - Moving and connected
 - Greener and healthier
 - A flexible and enabling council
 - Safer homes and communities

- 4.2 The Mayor identified his priorities for 2013/14 onwards, which underpinned the three years budget setting process with the Medium Term Financial Strategy and Corporate Plan. These have been developed for the 2014-2017, showing how our resources are aligned firmly behind our priorities. However, in this interim year 2013/14 performance reporting has understandably been fragmented as many of our performance indicators do not currently align with the new corporate priorities. Effective financial reporting has been enhanced throughout the year, with a structure now in place to ensure timely financial reporting to SLT/Cabinet in 2014/15. A review of our performance indicators in order to more closely align them with the Council's priorities is currently underway. *(Please see item 10 in Appendix A)*
- 4.3 The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. All committees have clear terms of reference and work programmes which set out their roles and responsibilities. During the year the Council sought the views of the Centre for Public Scrutiny who conducted a review of the Council's Scrutiny Commissions to enhance the effective challenge of policy development and Mayoral decisions. The outcome from that review was a number of recommendations for improvements some of which have already been put in place, whilst others will be progressed during 2014/15. *(Please see item 14 in Appendix A)*
- 4.4 The Council has dedicated Development Control area planning committees which are made up of Members who are professionally advised by Council officers with the provision of reports on planning applications being considered and making recommendations. A matter which was identified in 2012/13 concerning the use of officer advice in these decisions was investigated by Internal Audit during 2013/14 and no issues were found. *(Please see item 7 in Appendix A)*
- 4.5 The Mayor takes all key decisions in consultation with Cabinet on the basis of reports from officers. The Mayor's Forward Plan of key decisions to be taken over the next four months is published on the Council's website. The late submission of items for inclusion in the Forward Plan which had been an issue in 2012/13 is now resolved and items are now recorded in the Forward Plan in advance to allow for scrutiny by interested parties. *(Please see item 5 in Appendix A)*
- 4.6 Cabinet meetings where key decisions are made by the Mayor are open to the public and available via web cast through the Council's website. All reports are considered for legal and financial issues before submission to Members. *(Please see item 4 in Appendix A)*
- 4.7 There is a Strategic Leadership Team (SLT) made up of the City Director and Strategic Directors that meets each week to discuss matters which are of strategic and operational importance to the Council. The issue of senior management capacity as raised in the 2012/13 AGS has now been resolved with the appointment of a permanent senior management team to ensure consistency in the Council's performance and clear direction towards achievement of long term strategic objectives *(Please see item 1 in Appendix A)*

- 4.8 There remain a number senior management positions occupied by interim managers, however this temporary solution was recognised by the Council as an appropriate measure at a time of significant and rapid business change. A number of these arrangements are being phased out as the corporate restructure proceeds to completion, however it is accepted that the use of consultants is an integral part of the Council's programme of restructure and the use of this option may increase in the short term. *(Please see item 13 in Appendix A)*
- 4.9 An Executive Board consisting of SLT, the Mayor and selected Members meet regularly to ensure good communication and coherent vision.

5 Operational Governance

The following details the operational governance arrangements in place within the Council, some of which are specifically required by the Constitution:

- 5.1 The Council has a Mayor's scheme of delegation in place with supporting procedure notes / manuals that clearly defines how decisions are taken.
- 5.2 To achieve the Mayor's vision and outcomes set up in the Corporate Plan such as delivery of excellent services to all our customers, the Council engages with the local community through 14 neighbourhood partnerships which provide an opportunity for local communities to have a greater say in the way services and local issues are managed by the Council and its partner agencies.
- 5.3 The Council is also involved in a number of other partnerships many of which are strategic partnerships which are governed by its Constitution, however for partnerships which are not strategic there remains a need for governance and control in order to ensure the Council is achieving synergy between its partners in fulfilling the Mayor's vision for Bristol. *(Please see item 9 & 16 in Appendix A)*
- 5.4 Major changes are on-going throughout the Council to meet the budget reductions imposed by the current financial climate and to improve delivery of services. The Council designed an "Invest to Save Strategy" to restructure the current organisation in order to reduce management levels and operational cost and at the same time to improve buying strategies. There are many work streams within the Programme but all are governed and managed by a single programme board, led by the Strategic Director for Business Change, which consists of the Extended Leadership Team (ELT) members. The Change Programme board meets on a weekly basis for progress updates, challenge and troubleshooting. The Programme replaced the multiple Business Change programmes from 2012/13 and has addressed many of the issues which arose in 2012/13. The business case for the Change Programme will be presented to Cabinet in July 2014. *(Please see items 11 in Appendix A)*

- 5.5 The Council utilises, manages and stores large amounts of data on various different databases and servers. The Council is heavily dependent on managing and maintaining the control environment within its computerised systems, especially with the aim of delivering many of our services digitally. Issues which were identified with regard to financial governance and control in 2012/13 have to some extent been addressed with the implementation of a new Finance system. After a less than effective start to the implementation, work during the year has had a positive effect on the control environment and the direction of travel is good. There remain however a number of issues which are being resolved at this time. *(Please see item 12 in Appendix A)*
- 5.6 Policies and procedures are in place to ensure that expenditure is incurred lawfully and the best value is obtained: Financial Regulations, Procurement Regulations and a large number of financial and human resources policies are in use throughout the Council. However, many of the policies and procedures have become out-of-date and not reflective of the changes currently ongoing within the Council. A detailed review of Financial Regulations is underway in 2014, with a full review of the adequacy and appropriateness of all policies and procedure having commenced in June 2014. *(Please see item 6, 15 & 19 in Appendix A)*
- 5.7 The Council has processes and policies in place to ensure all information collected, held, processed and used by the Council is held safely and securely. Beaches in information security are monitored by the dedicated Senior Information Risk Owner. *(Please see item 3 in Appendix A)*
- 5.8 Members' and Officers' behaviour is governed by Codes of Conduct which include the requirement for declarations of interest to be completed by all Members annually, by all new staff, and biennially by staff working in sensitive areas or paid above a certain grade.
- 5.9 The Council encourages a free and open culture and is committed to high standards of honesty. The Council will not tolerate any form of malpractice and recognises that employees have an important part to play in reporting any concerns. The Council has a widely publicised Whistleblowing Policy which encourages and enables employees to raise concerns internally within the Council, rather than overlooking the problem or raising the concern outside.
- 5.10 The Council adopts a zero tolerance approach to fraud and corruption within its services. The following policies and procedures are in place to ensure all appropriate measures are taken to prevent, detect and investigate suspected fraud/irregularities.
- Anti-Fraud, Corruption and Bribery Strategy/Policy
 - Whistle Blowing policy
 - Anti-Money laundering policy
 - Gifts and Hospitality policy and register
 - Pecuniary interest policy and register
 - Code of conduct for Members and Employees including ethical behaviour
 - Information Security policy

Additionally, the Council has both a dedicated Housing Benefit Fraud Investigation Team and a Corporate Fraud Team within its internal audit function.

Having implemented all of the above the Council is satisfied that it has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

- 5.11 The Council's Performance Management and Development Scheme for all staff ensures performance is managed and development needs for each member of staff are identified.
- 5.12 The Council recognises the value of well trained and competent people in effective service delivery, and as such aims to ensure that Members and managers within the Council have the skills, knowledge and capacity they need to discharge their responsibilities.
- 5.13 The Monitoring Officer has responsibility for maintaining the Constitution, ensuring lawfulness and fairness of decision making, providing legal advice and conducting investigations. The Monitoring Officer leads the legal department who ensure legal compliance by the Council in its activities; any concerns are raised with senior management for resolution.
- 5.14 In compliance with the 'Delivering Good Governance in Local Government: Framework', the Council's financial management arrangements generally conform with the requirements of the CIPFA Statement of the role of the Chief Financial Officer and Head of Internal Audit in Local Government (2010). More detailed compliance information is provided below:
 - The Service Director: Finance (Section 151 Officer) and the Head of Legal Services (the Monitoring Officer) although not members of SLT have an open invitation to attend when necessary and receive all papers. Both have a direct reporting line and have monthly meetings with the City Director (Head of Paid Service) in relation to governance issues. Both also attend Cabinet and Cabinet briefings.
 - The Service Director: Finance is the Council's Chief Financial Officer and is a professionally qualified accountant. He is the Council's lead officer for the Audit Committee and attends all meetings as well as reporting regularly to the appropriate Scrutiny Commission. Although he is not a Strategic Director he is the Council's Financial lead and as such is fully involved in all material business decisions and planning processes, and contributes to all key decision reports to SLT and Cabinet.
 - The Chief Internal Auditors (job share) are senior managers within the Council with regular engagement with the Audit Committee. They have an operational reporting line to the Service Director: Finance and a functional reporting line to the Audit Committee. They are also able to report to SLT, the City Director, the elected Mayor and to other Directors as required.
 - The Chief Internal Auditors are both qualified accountants with many years of Local Authority Internal Audit experience and they provide an Internal Audit Service which is professional, proficient and adequately resourced (as concluded by the Audit Committee in their Annual Report). The service capacity and resources are continually under review to ensure that they are fit for purpose.

6 Assurance Mechanisms

The following assurance mechanisms are built into the governance framework to ensure that the framework is operating as required:

- 6.1 The decision-making process is scrutinised by a scrutiny function which holds the Mayor to account and undertakes some pre-decision and policy development work. The Resources Scrutiny Commission is responsible for maintaining an overview of service and financial performance, efficiency and effectiveness. *(Please see item 14 in Appendix A)*
- 6.2 The Council has an audit committee comprising Elected and Independent Members that reports directly to full council in line with best practice. The Audit Committee meet throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment, and any issues relating to the conduct of Members. The Committee met six times during the year, receiving regular reports on risk management, internal control and governance matters.
- 6.3 The Council has a complaints procedure and where appropriate obtains feedback from service users to ensure an appropriate quality of service is obtained. However, the technical support of the complaints process requires improvement in order to enable the Council to efficiently /effectively monitor complaints, learn from them, and instigate timely and effective improvements and aide transparency. Remedial action in this area is in its early stages, but the actions proposed clearly demonstrate a commitment to ensure improvements. *(Please see item 18 in Appendix A).*
- 6.4 SLT is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. They are also responsible for initiating corrective action in relation to risk and internal control issues.
- 6.5 The Corporate Risk Register (CRR) is currently under review by the Extended Leadership Team in order to ensure it is focussed on the highest risks to the Council upon which it can have a positive impact, whilst still maintaining a watching brief on the risks, while high, that cannot be fully mitigated by the Council alone. Directorate risk registered will also be review utilising the same approach and taking into account the new structure within the Council. The risk registeres will continue to be reviewed by the Audit Committee, with an element of challenge being introduced through the Scrutiny function.
- 6.6 An Internal Audit Service is in place which provides an independent and objective assurance service to senior management, the Council as a whole and specifically the Audit Committee. They complete a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the Service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the appropriate Cabinet Member and the Audit Committee.
- 6.7 An External Audit function is in place which reports to senior management and the Audit Committee regarding Value for Money, governance issues and the final accounts including the Annual Audit Letter.

7 Review of Effectiveness

- 7.1 Bristol City Council annually reviews the effectiveness of its governance framework, as detailed in the local [Code of Corporate Governance](#), including the system of internal control. The review of effectiveness is informed by managers within the Council, who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.
- 7.2 In addition to the in-year assurance mechanisms detailed above the following year-end reviews of the governance arrangements and the control environment were undertaken:
- as the Strategic directors have been recently appointed they were invited to discuss the key elements of the control framework during the preparatory work. Assurance was obtained from discussion with senior officers who have responsibility for the control framework in place during the year and any areas where control weaknesses had resulted in significant issues arising for the Directorate are reflected in this Statement and Appendix A together with their comments. The draft Statement itself was considered by SLT on 17th June 2014 and is supported by them as an accurate reflection of the governance arrangements in place for the year.
 - obtaining assurances from senior management, including the s151 Officer and the Monitoring Officer that internal control and corporate governance arrangements in key areas were in place throughout the year.
 - reviewing external inspection reports received by the Council during the year, the opinion of the Chief Internal Auditor in their annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.
 - consulting the Audit Committee regarding any potential issues they felt could indicate a problem with the control environment as a result of their work during the year.

8 Significant Governance Issues

- 8.1 The review process has highlighted a number of significant issues from 2012/13 which have now been resolved, together with a number of issues which whilst good progress has been made further work is required to achieve full resolution. Additionally a number of in-year issues have been identified, but similarly action has been taken during the year and whilst full resolution has not yet been achieved the direction of travel is positive. Only a small number of issues have been identified where immediate action is required.
- 8.2 The Action Plan at [Appendix A](#) to this statement provides details of each issue and the actions, proposed, in progress and/or concluded at the time of writing this statement.

9 Certification

- 9.1 To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in Appendix A. We propose over the coming year to take steps to address the matters arising to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Mayor: George Ferguson _____ Date:

City Director: Nicola Yates _____ Date:

s151 Officer : Peter Gillet _____ Date:

ANNUAL GOVERNANCE STATEMENT (AGS) ACTION PLAN 2013/14 and 2014/15

This action plan is split into three sections, issues which were identified in the 2012/13 AGS which have now been resolved, issues which were identified in the 2012/13 AGS which have not reached full resolution at this time and issues which have been identified in 2013/14. In all cases the action plan provides details of the actions which have taken place in- year to tackle the issue and where appropriate, those which are planned for 2014/15 to progress/enhance resolution of the issue. Each issue has been RAG rated both from an inherent risk and a residual risk prospective, the key to the rating is as follows:

Red - Significant issue immediate action required to resolve

Amber- Remedial action has progressed well, but has not yet fully resolved the issue or the impact/benefits of actions have not been fully realised yet.

Green - Issue resolved, no longer considered a significant governance item.

Issues identified in 2012/13 which have been resolved.

Item No	Matters Arising in 2012/13	Inherited Risk	Current Risk	Action undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
1	Senior Management Capacity – fluid senior management position has led to a large amount of change at Strategic Director level and below and a disappearing of organisational memory.			<ul style="list-style-type: none"> • City Director appointed in May 2013 • Appointment of all Strategic Directors on permanent basis complete by March 2014. • All interim arrangements at Strategic Director level have ceased. 	No further action required

Item No	Matters Arising in 2012/13	Inherited Risk	Current Risk	Action undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
2	<p><u>Capital projects</u></p> <p>A number of significant programmes had slipped in terms of expected timescales and costs and have not yet been delivered.</p>			<p>The capital programme has been revised during the year with control placed within the Capital Programme Board.</p> <p>Enhanced review and monitoring has been built into the regular financial reporting structure to increase visibility and control of this major area of expenditure.</p>	<p>The Capital Programme Board continues to enhance control and challenge over the capital programme which is fully set out in the Medium Term Financial Strategy (MTFS).</p> <p>Reporting on capital projects now forms part of the regular financial reports to SLT and Cabinet alongside Revenue, Treasury and Reserves movements.</p> <p>Strategic Director, Place</p>
3	<p><u>Information Security</u></p> <p>Information Security – potential for significant fines to the Council and distress to individuals due to breaches in Children and Young People Services (CYPS) paper handling data security control.</p>			<p>Issues had been raised with CYPS DLT.</p> <p>A new Handling Sensitive Paper Records Standard was Issued and publicised.</p> <p>Information Security training was undertaken by all teams – with key reminders to implement quality assurance into manual processes where sensitive documents are handled.</p>	<p>Senior Information Risk Owner (SIRO) continues to monitor breaches as they arise.</p> <p>SIRO</p>

Item No	Matters Arising in 2012/13	Inherited Risk	Current Risk	Action undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
4	<p>Decision Making – Constitutional changes needed to reflect the powers of the elected Mayor.</p> <p>Inadequate arrangements in place to ensure governance risks are identified and mitigated.</p>			<ul style="list-style-type: none"> • System in place around recording of delegated decisions • Early involvement of SLT in Cabinet Reports (standard item in SLT cycle) • Timely involvement of Legal and Finance on detailed proposals for Cabinet reports. • Internal Audit review concluded satisfactory progress with regards to the tools and assistance available to report authors. 	No further action required
5	<p>Mayors Forward Plan – issues regarding late submissions and the ensuing impact on the Council's ability to make informed decisions.</p>			<ul style="list-style-type: none"> • Review of this area by Internal Audit has concluded satisfactory progress. • Items have generally been added in a timely manner. • Decision making section of constitution was updated in 2013/14. 	No further action required.

Item No	Matters Arising in 2012/13	Inherited Risk	Current Risk	Action undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
6	<p><u>Care Charging Policy</u></p> <p>Policy was applied incorrectly to a number of cases losing Council revenue and causing undue confusion and stress among customers.</p>			<ul style="list-style-type: none"> • Issues have now been dealt with. • Errors were corrected. 	No further action required
7	<p><u>Development Control (DC) Area Committees</u></p> <p>A number of Development Control (DC) Area Committees decisions have been subject to appeal. On appeal the Planning Inspectorate have found against the Council and awarded costs (approx. £400k on one occasion)</p>			<ul style="list-style-type: none"> • Review of Development Control by Internal Audit has resulted in an Audit Opinion of satisfactory. • Canvas of Committee members reveals that Member are generally happy with the paperwork they receive, including timeliness, and the guidance provided by planning officers. • Training is offered to all DC Area Committee members and take up is good, with most Members having participated in some form of planning training in the past 3 years. 	<p>The Council has agreed to consolidate the Development Control committees from four committees' each of whom dealt with sections of the city to two committees which deal with city-wide planning matters.</p> <p>No further action required at this time.</p>

Item No	Matters Arising in 2012/13	Inherited Risk	Current Risk	Action undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
8	<p><u>Constitution</u></p> <p>The Constitution is may not be fit for purpose due to the fact that a fundamental review of it has not been completed.</p>			<p>The Constitution was amended to reflect some changes in legislation and the introduction of the Elected Mayor and his decision making process.</p> <p>It was agreed by Management that a fundamental review of the Constitution would take place in 2013/14.</p>	<p>A full review of the Constitution has been undertaken as part of the Boundary Review and a revised governance structure was agreed by Full Council at its June 2014 AGM.</p> <p>No further action required.</p>
9	<p><u>Metrobus (BRT) project-</u></p> <p>Significant issues identified in project including:</p> <ul style="list-style-type: none"> • Funding gap • Governance arrangements • Damage to Council reputation 			<p>The West of England Programme Board considers the overall project status to be 'Amber' at this time.</p> <ul style="list-style-type: none"> • funding gap now resolved • Improved level of focus from revised programme board • high level of external review in this area with no major problems identified 	<p>Ongoing major programme, therefore monitoring will continue going forward.</p> <p>Strategic Director, Place</p>

Issues identified in 2012/13 where resolution is on-going.

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10	<p><u>Performance Management/reporting</u></p> <p>Lack of timely performance, financial risk information to enable effective decision making.</p> <p>Improvement needed in compliance with the performance management framework.</p>			<p>Effective financial reporting has been enhanced through the year and a revised financial calendar prepared for 2014/15 to ensure a complete and timely financial report is prepared for SLT/Cabinet review.</p> <p>The corporate priorities for 2014 -2017 have been prepared based on the Mayor vision for Bristol.</p>	<p>Performance reporting is currently being prepared for the full year 2013/14 and will be presented to SLT and Cabinet.</p> <p>A review of the existing performance indicators is currently underway with a view to more closely aligning the indicators with the Council's strategic objectives and Mayor's visions for Bristol.</p> <p>Service Director Policy, Strategy & Communications Service Director, Finance</p>
11	<p><u>The Change Programme</u> (CP) is a consolidation of a number of projects formally known as Business Change.</p> <p>CP is expected to deliver more than half of the required budget savings; therefore, failure to deliver projected benefits could have severe impact on</p>			<p>One overall programme board now in place led by Strategic Director of Business Change. The programme consists of six core streams albeit with a high number of project streams. This is a vast improvement on the previous arrangements where there were a high number of separate projects all with</p>	<p>The formal business case for the Change Programme to be presented to the Cabinet in July 2014.</p> <p>Delivery is still in early stages, but key restructure activity has delivered the target savings for</p>

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	<p>the Council's ability in achievement of long term corporate objectives.</p> <p>The impact of having so many change projects streams in progress at the same time could have a significant impact on the overall control environment, if the environment is not preserved appropriately.</p> <p>In particular the loss of experience and organisational knowledge, as a result of the current corporate restructure, could in the short term impact on the control foundation within the Council.</p>			<p>their own project boards.</p> <p>The programme is monitored on a weekly basis and owned by the whole the Extended Leadership Team (ELT) and it is a key risk on the Council's corporate risk register.</p> <p>Costs are built into the business case and Medium Term Financial Strategy with key project themes fully costed.</p> <p>Management are kept fully informed of the programme's progress through weekly Management Briefs which are then cascaded down to the wider staff base.</p> <p>The restructure programme has reinforced leadership and guidance to support managers deliver the cost reduction required while accepting modest risk in their operational delivery performance.</p> <p>The loss of key staff has formed part of the decision as to accept or reject a redundancy and the restructure methodology is based on delivering</p>	<p>2014/15 albeit delayed by the scale of the process. Lessons learned are being applied to the next element of the project.</p> <p>ABW is currently being enhanced to provide sufficient information for Management to monitor and forecast their budgets, target date June 2014</p> <p>The project will be subject to quarterly performance and financial reporting to both SLT and Cabinet.</p> <p>The Change Programme has already identified £13m of savings against the £22m target for 2014/15 demonstrating the commitment to the project and the delivery and realisation of savings and service improvements.</p> <p>The restructure process has created a defined corporate structure which, alongside an enhanced reporting structure, has</p>

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				services in a more efficient manner.	<p>more clearly defined roles and responsibilities in the senior management team.</p> <p>The Corporate restructure is currently ongoing. As it the Change Programme as a whole.</p> <p>Strategic Director, Business Change</p> <p>Service Director, Business Change & ICT</p>
12	<p><u>Financial Governance</u></p> <p>While good progress towards improvement in internal control of financial systems has been achieved, the new financial system is still not fully operating to the required level in order to fully achieve expected benefits and controls.</p>			<p>It is clear that the implementation of the ABW financial system was less effective than planned but the control environment continues to be enhanced as modules such as Income Manger and Bank Reconciliation are fully understood and utilised.</p> <p>Additionally the formation of the Finance Accounting Board (FAB) whose remit is to tackle current and emerging issues with regard to financial governance has had a positive effect on the control environment.</p>	<p>Focus on key controls and appropriate reconciliations will be more structured and monitored to enhance control of debt, cash and access. The latter being revised to reflect the new directorate management structure.</p> <p>Service Director: Finance</p>

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13	<p><u>Consultants</u></p> <p>Lack of transparency in the use of consultants and poor monitoring of their performance.</p>			<p>Monitoring of consultant spend has been problematic but as the general ledger is optimised and reporting improved, visibility around such costs should be improved too.</p> <p>Appointments of consultants are approved by Corporate Panels, who report to SLT.</p>	<p>It is accepted that the use of consultants is an integral part of the Council's programme of restructure and that the use of this option may increase in the short term, however work is ongoing to ensure the cost of this resource/expertise can be appropriately monitored and controlled. In addition, results based rewards are being used to control the cost of using key consultants when necessary.</p> <p>Service Director: Finance & Service Director: HR</p>

Issues identified in 2013/14

Item No	Matters Arising in 2013/14	Inherited Risk	Current Risk	Actions Undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
14	<p><u>Scrutiny Function</u></p> <p>The Scrutiny arrangements need improvement to ensure robust challenge of executive decisions by Members.</p>			<p>During the year the Council sought the views of the Centre for Public Scrutiny who conducted a review of the Council's Scrutiny Commissions to enhance the effective challenge of policy development and Mayoral decisions with the following recommendations concerning the decision making governance arrangement:</p> <ul style="list-style-type: none"> • To review the council's policy framework, Mayoral policy priorities and other major strategies; • To ensure transparency in policy development for the whole process from the first idea to the public meeting at which it is finally agreed; 	<p>As with the Constitution, revised arrangements to clarify and enhance the role of scrutiny commissions were agreed by Council in at its AGM in June 14. These included:</p> <p>An Overview and Scrutiny Management Board (OSMB) which is focussed on Management Function and will oversee the work of the Scrutiny Commissions, including receiving performance reports.</p> <p>Corporate visions/objectives as detailed in Corporate Plan to inform Scrutiny work programme.</p> <p>Corporate Plan to be considered and signed-off by OSMB in July 2014.</p> <p>A detailed review of the Council's policies and strategies is currently underway to identify relevant policies and procedures and to ensure they effectively align with the Mayor's priorities as set out in the Corporate Plan.</p>

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				<ul style="list-style-type: none"> The Council must significantly reduce its formal Commission and meetings structure if it is to have the capacity in terms of member time commitment and officer support and resourcing to overview and scrutiny function to fulfil the policy development role. To draw up a clearer process for both Public Forum and Petitions, including clarifying the purpose and focus of the Public Forum arrangements; 	<p>Proposals to reduce the number of Commissions and meetings during the municipal year have been agreed by Full Council. This will see 4 Scrutiny commissions, one for each directorate, each of which will meet 10 times per year. This will also ensure that the matters arising will be considered by the most appropriate Commission.</p> <p>Proposals were agreed that will separate out the Mayoral Question Time from Members and those of the public and will be dealt with in separate meetings. In addition there will be discrete opportunities for Mayoral questions at overview and scrutiny boards</p> <p>Monitoring Officer & Members and Service Manager- Policy & Research</p>
15	<p><u>Policy and Procedure</u></p> <p>Many key Policies and Procedures are out of date and not reflective of</p>			The major review of Policies and Procedures has been delayed due to the restructure and reallocation of management responsibilities.	Detailed review of financial regulations is underway and a revised scheme of delegation prepared for review and

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	recent changes concerning the new financial system and its surrounding operation.			Key financial policies agreed as part of the 2014-17 budget process.	<p>implementation by SLT and Cabinet is planned for agreement in the first quarter.</p> <p>Following the restructure of the Performance, Communications and Scrutiny section, a detailed review of the Council's policies and strategies is currently underway to identify relevant policies and procedures and to ensure they effectively align with the Mayor's priorities as set out in the Corporate Plan.</p> <p>Service Director Policy, Strategy & Communications Service Director, Finance</p>
16	<p><u>Partnership Governance</u></p> <p>Partnership governance outside of strategic partnerships may not be robust which may result in the Council not achieving maximum benefits through partnership working.</p>			<p>The majority of the Councils current arrangements with partners are set out in formal agreements.</p> <p>The Strategic Partnerships are regulated by the Constitution with clear Terms of Reference and a scheme of delegation agreed by the Mayor.</p> <p>A Local Enterprise Partnership (LEP) Board has been established and is now appropriately resourced to</p>	<p>Further develop an effective accountability framework for wider partnership working to ensure it is clear what each partner is expected to contribute.</p> <p>Identify strategic and other partners and implement an accountability framework. Gain an understanding of differing</p>

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				support the work of the Board.	<p>priorities of each partner. Develop a stronger evidence base which demonstrates the benefits of partnership working. Members and senior management to meet in informal settings to debate opportunities for partnership working and provide leadership which promotes a culture change towards delivering services jointly wherever possible and appropriate.</p> <p>City Director, Service Director – Policy, Strategy and Communication.</p>
17	<p><u>Commercial Contract Management.</u> Poor contract management and monitoring.</p>			Recent Internal Audit review of Commercial Contract Management application concluded satisfactory progress, but monitoring of contracts performance and challenging poor performance still needed improvement.	<p>Overall review of Commercial Contract Management to be undertaken in order to strengthen control issues.</p> <p>Strategic Leadership Team (SLT)</p>
18	<p><u>Quality of Service /Complaints system</u></p>			The problem with the complaints recording and monitoring system has been recognised.	As part of the change programme a project has been taking place to review and

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	<p>Inefficient Complaints system</p> <p>Lack of reliable, readily available information of complaints/compliments received.</p> <ul style="list-style-type: none"> • Failure to learn from mistakes/good practice. • Lost opportunity for improvement • Missed opportunity for greater transparency 			<p>The Corporate Complaints team has been restructured to enable improvement in this area.</p>	<p>redesign the corporate non statutory complaints process. The programme includes:</p> <ul style="list-style-type: none"> - Authorisation for a new process which will see the current 3 stage process change to a 2 stage process to streamline and simplify the process for citizens. This is based on best practice and the national standard - New improved on line experience with better information and a new on line form - Replacement of the current IT system with the new Salesforce Customer Relationship system. This will significantly automate and improve reporting to support a much more robust and informed approach to identify

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					<p>themes and learning to drive improvement and service redesign.</p> <ul style="list-style-type: none"> - Roll out is planned from Aug – October - Update to management team planned for June 2014. <p>Service Manager – Customer Services.</p>
19	<p><u>Schools Corporate Governance</u></p> <p>A number of issues have arisen with regard to financial governance within schools, these include:</p> <ul style="list-style-type: none"> • Failure to maintain and up-to-date Financial Regulations for Schools • Lack of clarity with regard to the roles and responsibilities of the Trading with Schools function. • Issues identified by Internal Audit with regard to governance, both finance and 			<p>Issues regards schools financial governance were brought to the attention of the Director of Finance, however remedial action has been delayed due to the issues arising from the implementation of the new finance system.</p>	<p>The newly appointed Service Director for Education has been made aware of the issues with regard to Schools governance and is in the process of instigating remedial action to address these matters.</p> <p>This remains an area for review in 2014/15 but needs to be set against the number of academies and free schools with the City. Government policy in this area needs to be monitored</p> <p>Service Director for Education Service Director: Finance</p>

Item No	Matters Arising in 2013/14	Inherited Risk	Current Risk	Actions Undertaken in 2013/14	Action taken or to be undertaken in 2014/15, and Responsible Officer
	operational, within schools.				

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