BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held
Monday, 20th May, 2013, 5.30 pm

Councillors: Will Sandry (Chair), Andrew Furse, Gerry Curran, Dave Laming, Barry Macrae and Brian Simmons
Independent Member: John Barker
Officers in attendance: Tim Richens (Divisional Director, Finance), Jeff Wring (Divisional Director, Risk and Assurance Services), Steve Harman (Strategic Performance Manager) and Andy Cox (Group Manager (Audit/Risk))
Guests in attendance:

1   EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

2   ELECTION OF VICE-CHAIR, IF REQUIRED

RESOLVED that a Vice-Chair was not required on this occasion.

3   APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

4   DECLARATIONS OF INTEREST

There were none.

5   TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

6   ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

7   ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

8   MINUTES: 5 FEBRUARY 2013

John Barker pointed out that though his apologies were recorded, his name appeared in the attendance list. The minutes were approved subject to the deletion of John Barker from the attendance list.

9   PRESENTATION ON PERFORMANCE AND RISK MANAGEMENT

The Divisional Director and Strategic Performance Manager made presentations to the Committee. A copy of their PowerPoint slides is attached as Appendix 1 to these minutes.

The Strategic Performance Manager made a presentation on performance management. He said that he worked closely with the Audit and Risk Team; he believed that risk management and performance management were inseparably connected. He circulated copies of the Performance Pack that is presented to the Strategic Directors Group to Members and said that it was perceived that too much information was circulated at present; it was planned to streamline it so that key facts and trends could be identified more quickly.

A Member commented on the fact that information was not being circulated until a few months after the period to which it referred. The Strategic Performance Manager replied that compiling the pack took a lot of time and staff resources; in future by producing more streamlined reports it should be possible to circulate information more quickly. He also agreed with the Member that it would helpful to provide more commentary with the information.

The Chair noted that the Committee did not receive corporate performance information. The Divisional Director noted that the role of the Committee was to look at the framework and systems in place and that detailed member scrutiny was a role for Cabinet and Scrutiny Panels.

A Member said that the information seemed retrospective and there did not appear to be a great deal of involvement by elected members. The Strategic Performance Manager replied that performance was being reviewed against internal targets and benchmarks. As for elected member involvement, the Divisional Director again emphasised the roles of Cabinet and Scrutiny and that relevant portfolio holders were given regular briefings. In response to questions from other Members, he said:

- a great deal of work was being done to improve co-ordination between different services
- the ultimate aim was to give all elected members access to the quarterly performance report through the intranet

The Chair commented on the Council's new strapline which states that B&NES is the best place to live, work and visit, whereas the previous strapline was aspirational: "making B&NES an even better place to live, work and visit". A question was raised as to whether this could be judged, assessed or even benchmarked. The Strategic Performance Manager detailed how the strapline had been consulted with Cabinet and stated that it was now more difficult to make comparisons between local authorities since the Comprehensive Area and Performance Assessment process had been abolished, however benchmarking 'families' still existed.

The Divisional Director continued the presentation on the theme of Risk Management. He referred members to the Organisational Dashboard of Corporate Risk for Q4 and explained its structure. A Member asked why the financial challenge was coded in red and assessed at level 5. The Divisional Director – Finance explained that that it was because there was no doubt that there was a financial challenge and that its impact was very high. The Dashboard stated that a plan was in

place to meet the challenge, which included a 3-year budget. The budget is monitored monthly. There was a blip in Q3 when the possibility of an in-year overspend was foreseen, so remedial action was taken.

The Chair thanked the Strategic Performance Manager and the Divisional Director for a useful presentation.

10   INTERNAL AUDIT ANNUAL REPORT

The Divisional Director and Group Manager (Audit & Risk) presented the report. The report was in three sections:

- Audit and Risk outturn 2012/13
- Internal Audit Plan 2013/14
- a recommendation for an update report on progress to a partnership model of service delivery

He asked Members to note the performance indicators as given in paragraph 4.6 and Appendix 2. 80% of planned work had been completed; the remaining 20% had been rescheduled or cancelled because of unplanned work or the reduction in audit days available because of the redeployment of staff. 65% of audits had been completed on time, compared with 84% in the previous year; this year a new reporting process was being implemented, so that progress on audits would be reported every two weeks. The percentage of audit recommendations implemented was 65% in 2012/13. Follow ups had revealed that some managers had not implemented recommendations on the agreed timescale, so rescheduling had been agreed. The reduction in the percentage of recommendations implemented could be linked to the financial challenge and the reduction in the number of managers and staff.

A Member said that he was disappointed with current level of response to Internal Audit recommendations; the expectation should be that if Internal Audit made a recommendation, it should be implanted quickly.

A Member suggested that if an audit was completed on time, the client was likely to be more satisfied and more likely to accept the recommendations. The Risk Manager replied that he did not think there was evidence for that correlation.

The Chair asked what percentage of recommendations made in relation to risks where the assurance level was only 1 or 2 had not been accepted. The Group Manager replied that he did not have data for this with him, but it was available.

In reply to a question from Mr Morris, the Group Manager said that every issue with a poor assurance level would be picked up in the Annual Governance Review. The Divisional Director clarified that not all of them would be included in the Annual Governance Statement; a judgment would be made about their significance.

In reply to a question from a Member, the Group Manager said that an allocation was made for sick leave and Bank Holidays in the Internal Audit Plan, but not for unplanned work. Unplanned work could only be accommodated by not doing some scheduled work.

A Member noted that among the high risk items in the Plan, there would be some that were particularly high, involving, for example, revenue protection, the impact of changes to the benefit system, and IT systems. He wondered whether Internal Audit were confident that they would be able to complete audits in all these areas. The Group Manager replied that he was, though some medium risk items might have to be rescheduled.

A Member wondered how far matters of judgment, such as opinions about managerial competence or the possible impact of changes to the benefit system, entered into Internal Audit's planning over and above the objective factors set out in paragraph 4.10 of the covering report. The Risk Manager said that it was essential that Internal Audit had a feel for issues. In reply to another Member, he said that it was Internal Audit's role to consider value for money as well as whether or not services achieved their targets.

The Divisional Director then turned to the comments he had made in the final section of the report beginning at paragraph 4.13. He said that with increasing pressure on Council budgets, choices had to be made about appropriate levels of control and the level of risk considered acceptable. It was important therefore that the independent voice of Internal Audit should remain strong as it had been in the past and that the service was able to respond appropriately to the changing risk framework in the organisation. He advised the Committee that whilst the previous budget reductions had been delivered he needed to be cautious over the medium to long-term in considering its capability, capacity and resilience. For various reasons the plans for a different service delivery model had not progressed as planned and it was therefore prudent therefore to refresh the previous assessment and consider future options and he would like to bring an update paper to a future meeting of the Committee. A brief discussion ensued around partnerships with other local authorities which might result in a pool of 40-50 auditors being available. A Member said that it was important how a partnership was structured, given that other all local authorities had had their budgets cut.

[Councillor Simmons left the meeting at this point]

A Member suggested that the Committee set up a working group to look at future options. The Divisional Director suggested that the Committee receive an update paper first as this would explain the position more clearly and there was no immediate need for any sub-groups.

RESOLVED:

1. To note the summary of audit work during 2012/13;
2. To approve the Internal Audit Plan for 2013/14;
3. To request an update on the progress to a partnership model of delivery of the Internal Audit service.

11 NEW PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Group Manager (Audit & Risk) presented the report. Appendix 1 set out the Council's current level of conformance with the Standards and paragraph 4.8 an action plan to achieve full compliance. He said that he would update the Committee on progress with the action plan in six months.

RESOLVED:

1. To note that the Council's Internal Audit Service will have to comply with the new Public Sector Internal Audit Standards which came into effect from 1st April 2013;

2. To approve the action plan recorded in the report to ensure compliance with the standards.

12 ANNUAL GOVERNANCE REVIEW

The Group Manager (Audit & Risk) presented the report. A draft list of issues was circulated to Members. The issues were:

1. Member – Conflicts of Interest and Training
    a. Transparency – Register of Interests
    b. Conflicts of Interest – Declarations at Meetings
    c. Training – New Member Code of Conduct

2. Development Control – Costs
    a. Core Strategy – not yet approved/adopted
    b. Compliance with Planning Conditions – Newbridge Park and Ride
    c. Planning – Member Decision Making

He invited Members to comment on the list.

Members agreed that the first issue was extremely important, because of its impact on the reputation of the Council and should be considered significant. One suggested that if in doubt, a Member should always make a declaration. Another Member suggested that training on the Code of Conduct should be improved.

A Member felt that the issue of Development Control costs was often presented in a very one-sided way. The Council could not charge applicants for unreasonable behaviour or for wasting a great deal of officers' and members' time. Once permission had been given, it could not be withdrawn and the future of a parcel of land would be determined for a very long time. In these circumstances a refusal might be worth the risk, and would be justified if taken with full knowledge of the risk.

Another Member said that sometimes external legal advice had to be sought on planning applications, which was very expensive. The in-house lawyers sometimes had to assess whether the risk of not taking advice was that the Council would incur even higher legal costs at some future date. He added that the Development Control Committee did not exist just to rubber stamp officer recommendations.

A Member felt that the Newbridge Park and Ride scheme was complicated by a number of local factors and that it did not really merit inclusion in the list.

RESOLVED:

The Committee noted the report and commented that only the first item regarding Members should be considered as significant in relation to the Annual Governance Review.

13   EXTERNAL AUDIT PLANS

Mr Morris commented on the External Audit Plans. There were two, one for the Council and one for the Avon Pension Fund. He said the plans identified the key issues that the External Auditor needed to take into account of in coming to its financial and value-for-money opinion. Government guidance on the treatment of academy schools was still lacking. The plans explained the audit methodology, the significant risks identified and what balances would be considered material.

RESOLVED:

1. To approve the External Audit Plan for the Council for the year ended 2012/13.

2. To approve the External Audit Plan for the Avon Pension Fund for the year ended 2012/13.

14   EXTERNAL AUDIT UPDATE REPORT

Mr Morris presented the update report. As well as providing an update on the audit, the report identified a number of emerging issues and developments of which Members should be aware.

He reminded Members that the key dates for the production of the accounts were 30th June and 30th September. He said that it was likely that pressure would be put on local authorities to produce their accounts earlier; the NHS produced accounts within 4 weeks of the end of the financial year.

RESOLVED to note the update from the External Auditor and their findings in Appendix 1.

The meeting ended at 8.32 pm

Chair(person)   ....

Date Confirmed and Signed   ....

Prepared by Democratic Services

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Risk and Performance Audit Committee
20th May 2013

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Integrated Performance Management – One Council

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Linking Risk & Performance Management

Incorporating risk management into established performance management processes is essential to facilitate well-informed decision making (PWC)

Risk Management is increasingly important in the public sector and should be an integral part of any system of organisational performance management. (Audit Scotland)

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What should we use? Both !!

Performance Management

- Is usually based on what has happened in the past

- Allows us to effectively plan for the future

- Delivering services to stakeholders

Risk Management

- Probability of an event and its consequences

- Threats or benefits

- Protecting the risks of stakeholders

Its all about effective decision making !!

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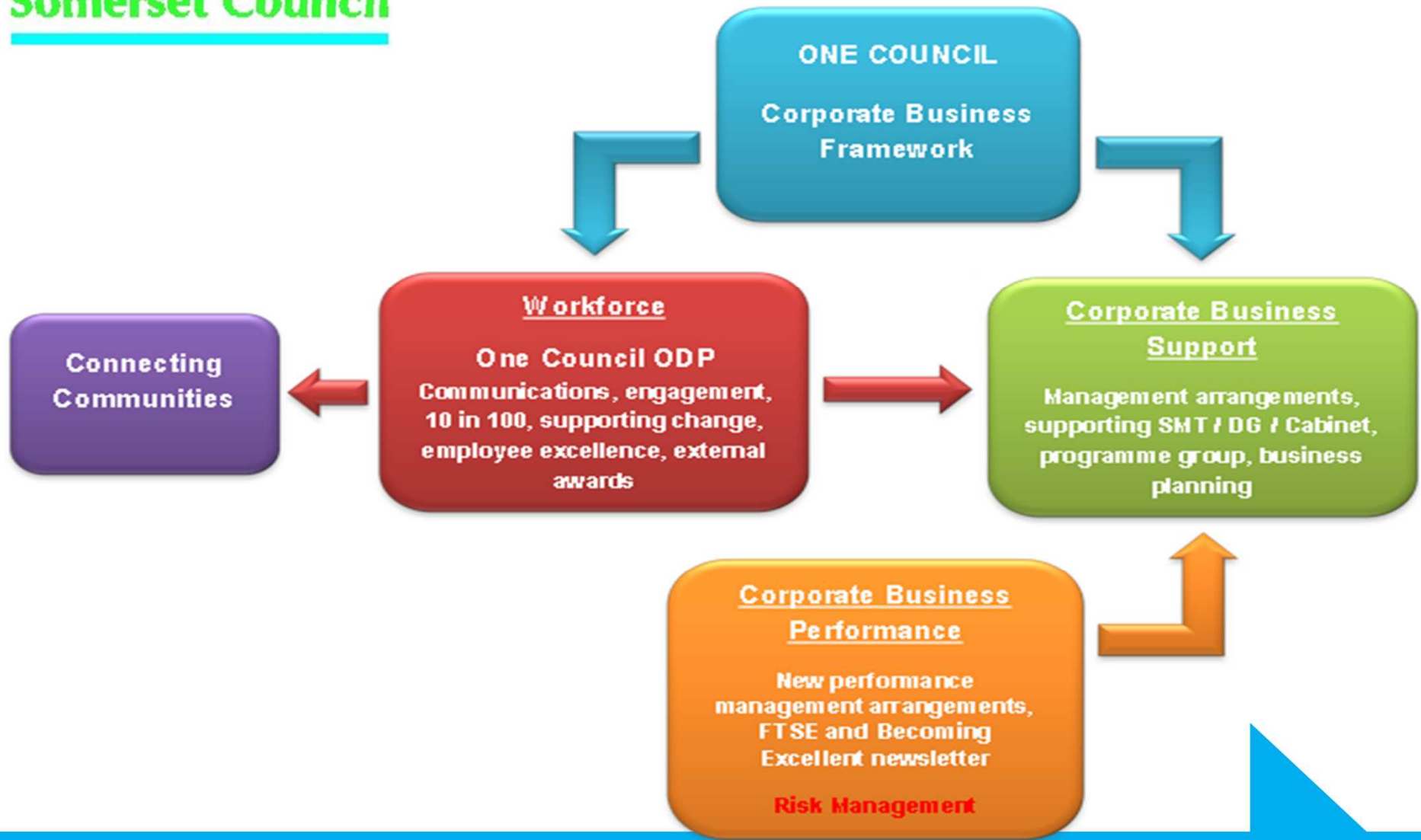# Current Performance Reporting Arrangements

Corporate Performance Pack	Quarterly	Comprehensive pack of performance, financial, risk and organisational health information sent to senior managers at the end of every quarter:
		⇨ Separate Performance, **Risk & Assurance** and **Organisational Health Dashboard** Summaries
		⇨ Financial Dashboards
		⇨ Performance Summary Report
		⇨ Supplementary Performance Update Report
		⇨ Key Performance Indicators (KPIs)
		⇨ Exception Report
		⇨ **Risk Dashboard with Corporate Risk Register and Action Plan**
		⇨ Complaints Report
		⇨ Health & Safety Report
		⇨ Staffing Report (turnover, sickness, performance review)
		⇨ Equalities Breakdown
		⇨ Economic Report

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New Approach

The perceived benefits are manifold and will:

❑ Reduce the quantity of data reported in the current quarterly Performance Pack

❑ Reduce the amount of data senior managers and Members are expected to assimilate at any one time

❑ Increase engagement by moving away from the traditional approach of reporting performance to one that produces performance information that is both contextual, interesting and joined up !

❑ Increase engagement with SMT and Members by reporting remedial actions against negative performance updates with a quarter on quarter feedback loop to demonstrate performance improvement

❑ Provide a more holistic and informed view of Council performance and its risks

❑ Contribute to improved overall transparency in our reporting

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Corporate Governance – New Approach

ONE COUNCIL

Corporate Business Framework

Workforce

One Council ODP
Communications, engagement, 10 in 100, supporting change, employee excellence, external awards

Connecting Communities

Corporate Business Support

Management arrangements, supporting SMT / DG / Cabinet, programme group, business planning

Corporate Business Performance

New performance management arrangements, FTSE and Becoming Excellent newsletter

Risk Management

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Summary of Planned Risk Management Developments -

- Risk Management to remain a key part of the Organisational Performance Management Framework

- Corporate Risk issues will continue to be reported at least 4 times a year to SMT and DG

- Individual Corporate & Service risks will be continue to be discussed with both Strategic and Divisional Directors

- More work is planned to ensure that key risks are reflected in the Councils approach to strategic planning and its performance, i.e. MTSRP & Corporate Plan.

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Risk Management Strategy - Objectives

- Provision of a Flexible & Holistic RM Framework
- Effective Monitoring, Review & Reporting
- Improved Transparency & Decision Making
- Clear process of Identification & Evaluation of Risks with Key Partners
- Improved Training, Skills & Knowledge
- Effective use of Technology & Resources

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Risk Management Process

Risk Management - Systems

- Risk Registers (i.e. Corporate & Service)
- Decision Making (i.e. Democratic & Officer)
- Service & Resource Plans (i.e. MTSRP & SAP's)
- Financial Contingency Planning (i.e. Corporate & Project Reserves & Robustness Statements)
- Gateways & Governance (i.e. Capital Strategy Group)
- Projects & Programmes (i.e. Workplaces)
- Dashboards (i.e. Performance Management)

Risk Management – Current Reporting

- Corporate Risk Register (SMT - Quarterly)
- Organisational Health Dashboard (SMT - Quarterly)
- Finance Dashboards (SMT - Monthly & Quarterly)
- Performance Dashboards (SMT - Quarterly)
- Annual Governance Review (SMT - Annually)
- Project Reporting (As necessary)

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Corporate Risk Register – Top 10

Meeting the Financial Challenge

Achieving Economic Strategy

Achieving New Housing Targets

Impacts of Demographic Pressures

Resilience of Highways Structures

Successful Delivery of Core Strategy

Impacts of Severe Weather

Duty of Care – Children & Adults

Impact of Shale Gas Operations

Bath Recreation Ground Resolution

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- **Thank You - Questions?**