

BRISTOL CITY COUNCIL

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 20TH APRIL 2012 AT 2.00 P.M.**

P Councillor Weston (in the Chair)
P Councillor Brain
P Councillor Emmett
A Councillor Hammond
P Councillor Hassell
A Councillor Kiely

P Ken Guy - Independent Member
P Brenda McLennan - Independent Member

AC

96.4/12

**APOLOGIES FOR ABSENCE, SUBSTITUTIONS AND
INTRODUCTIONS**

Cllr Holland attended as a substitute for Cllr Hammond.

AC

97.4/12

PUBLIC FORUM

None

AC

98.4/12

DECLARATIONS OF INTEREST

None

AC

99.4/12

MINUTES - AUDIT COMMITTEE - 20TH JANUARY 2012

RESOLVED - that the minutes of the meeting of the
Audit Committee held on 20th January
2012 be confirmed as a correct record
and signed by the Chair.

AC

100.4/12 MINUTES - AUDIT COMMITTEE - 3RD FEBRUARY 2012

RESOLVED - that the minutes of the meeting of the Audit Committee held on 3rd February 2012 be confirmed as a correct record and signed by the Chair.

AC

101.4/12 WHIPPING

None

AC

102.4/12 CHAIR'S BUSINESS

- a) The Chair referred to the document 'Fighting Fraud Locally', which provides a blueprint to better equip Local Authorities to fight a range of frauds including housing tenancy, council tax, and blue badge parking fraud. The strategy is the result of an eight-month review led by the National Fraud Authority (NFA). The document would be circulated to Members of the Audit Committee.
- b) The Chair highlighted the forthcoming departure of the Chief Internal Auditor (CIA), Richard Powell, who would be leaving on the 16th May. The Committee officially recorded their thanks to Mr Powell, for his hard work for the Audit Committee and the Council.
- c) The Vice-Chair, Brenda McLennan and the CIA attended the Core Cities Audit Committee Chairs Meeting. The meeting discussed the Independent Auditors Appointment Panel (IAAP) but due to the low number of attendees at the meeting no conclusions were made. The Department for Communities and Local Government have requested guidance from the group regarding the development of legislation. The item would be discussed later in the meeting (agenda item number 13).

AC

103.4/12 WORK PROGRAMME

The CIA confirmed that the Grant Thornton report on Redcliffe Wharf development would be added to the agenda for the Audit Committee meeting on 29th June 2012.

AC

104.4/12 ACTION SHEET

i. Minute 27.7/11 Benefit Fraud Investigation Team – Annual Report

The CIA highlighted that the level of housing benefit fraud identified by the credit reference agency matching exercise had been lower than expected. An appeal process has been implemented in conjunction with the voluntary agency *The Advice Network*. Details of outcomes to be provided as part of Benefit Fraud Investigation Team Annual report for 2011/12.

ii. Minute 84.2/12 Business Continuity Planning

Independent Member, Brenda McLennan referred to the response received from the Chief Executive of Bristol City Council. The Strategic Leadership Team (SLT) received a report from the Service Director Safer Bristol, which considered the issues raised by the Audit Committee. The following conclusions were made;

- Job descriptions would be re-evaluated through the Job Design project currently underway. This would examine what currently exists within Service Managers job descriptions and decide whether an explicit reference to business continuity would be required.
- In 2012/2013 all Critical Service Managers would have an element within their PMDS in relation to continuity planning. In 2013/2014 and 2014/15, continuity planning would form part of the service planning process, requiring critical services to ensure their plans had been tested. The intention would be for this 3 year cycle to be repeated.
- The Service Director for Safer Bristol would write to all Strategic Directors to ensure that relevant Service Managers have been identified and that the points above are realised.

The letter from the Chief Executive would be circulated to the Audit Committee Members.

iii. Minute 65.11/11 Benefit Fraud Investigation Team

Work had been ongoing using information from the National Fraud Authority and the LG Fraud Strategy.

iv. Minute 75.1/12 Additional Funding to Bishop Road School

The CIA confirmed that work had taken place on the Guidance and Training for Governors. This would be in place before the new academic year.

Alison Mullis and Melanie Henchy-McCarthy would be job sharing the role of Chief Internal Auditor following Richard Powell's departure.

RESOLVED - that the updated action sheet be agreed.

AC

105.4/12 PROGRAMME AND PROJECT GATEWAY REVIEWS UPDATE

The Committee considered a report of the Service Director, ICT and PPPM (agenda item no. 9) noting for information and commenting upon the programme and project gateway reviews.

Declan Cooney (DC), Service Manager, Business Analysis and Process Engineering attended the meeting to present the report.

Local Projects (formally 4Ps) have been approached to provide independent external Gateway Reviews at a cost of £11,000 per review.

Four project were identified were identified as subject of forthcoming reviews, these being;

- Finance Transformation;
- Intelligent Council (previously Information Management);
- Bristol Workplace (working title for NWOW phase 2);
- Desktop & Collaboration.

A range of other change programmes were ongoing and following completion of the planning / delivery stage, these could also be subject to a gateway review.

Bristol City Council is developing an internal gateway review framework, working in partnership with Carlisle Council and endorsed by Local Partnerships. The first phase of training has been rolled out across City Development (Capital Construction and Infrastructure programmes), Business Change and ICT (Change Portfolio) and Corporate Procurement (Commissioning Cycle). Criteria would be developed for internal versus external reviews.

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

- i. The Chair requested re-assurance that BCC would be confident that financial savings could be delivered. DC

highlighted that reviewing Officers would be practitioners, their level of expertise would improve as part of the process.

ii. Cllr Holland highlighted the importance of independence and timeliness when conducting reviews and the benefit of a fresh, critical eye. Recommendations would need to be made at the correct time in order to influence the rest of the project.

Councillors input could be valuable in reviews, although this would not be appropriate in some areas. DC confirmed that the internal Gateway Review process would be developed by an accredited organisation, ensuring robust processes. Involvement of Executive Members could be beneficial but the timing would need to be appropriate.

iii. The organisation providing the training on Internal Gateway Reviews would be procured in the correct way.

iv. Cllr Hassell suggested joint working with neighbouring Authorities could provide a cost effective but more independent way of reviewing.

v. DD confirmed that the Strategic /Service Director of projects with high risk and high costs would be responsible for requesting a review. Internal processes would be consistent across all projects. Cllr Brain noted that Resources Scrutiny Committee had highlighted the need to monitor the Gateway Review process.

vi. The Chair summarised;

- The Committee would be exceedingly nervous about the impartiality and robustness of internal Gateway Reviews;

- Working with neighbouring Authorities could alleviate some of these concerns by providing the role of an independent critical friend;

- When appropriate, Executive Members should be involved in reviews related to their Portfolio of work.

RESOLVED - (1) that the Committee note for information the report on the programme and project Gateway Reviews.

(2) that the Committee request that the following comments be noted:

- a) The Committee had concerns related to the Impartiality and Robustness on Internal Reviews;**

b) The Committee request further information on the feasibility of joint working with Neighbouring Local Authorities;

c) The Committee request Executive Member involvement in reviews when appropriate.

AC

106.4/12 GRANT THORNTON'S PROGRESS REPORT FOR 2011/12

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 10) noting and commenting as appropriate on the report.

The Grant Thornton (GT) Representative introduced the progress report, the Committee were asked to note that the appointment of Grant Thornton as the BCC external auditors would be temporary while the Audit Commission were going through the tender process. The Audit Fee letter would be presented at the next Audit Committee meeting, with a reduction in cost of 40% and a fixed fee for grant certification.

RESOLVED - that the Audit Committee note the Grant Thornton Progress Report 2011-12.

AC

107.4/12 THE DRAFT 2012/13 AUDIT COMMITTEE WORK PROGRAMME AND CORE CITIES WORK PROGRAMME COMPARISON

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 11) noting for information and commenting upon the issues arising in the report.

The CIA referred to the draft work programme for 2012/13, highlighting that the high number of agenda items currently scheduled following the inclusion of the Grant Thornton Report on Redcliffe Wharf development. The Committee discussed the work programme for the year and the following comments and decisions were made;

i. The Committee agreed that non Audit Committee Members could also find the Committee Training Session beneficial and they would be invited to attend. Liaison would take place with the

Councillor Development Officer to agree an approach to the training.

- ii. The Audit Committee meeting on the 15th June 2012 would be a training session and a Committee meeting with items moved from the 29th June 2012 meeting.
- iii. Following a discussion on the start time of the Audit Committee for 2012/13 it was agreed that this would revert to 9.30am.
- iv. The draft Statement of Accounts would initially be considered by the Committee at the meeting on 29th June 2012 and Members would comment and question the contents. The accounts would be presented again on the 28th September 2012 for agreement.
- v. GT would consider the most appropriate way to present the Value for Money Report on the 28th September 2012. The title of the GT report to be presented to the meeting on the 18th January 2012 would be *Audit Progress Report* (deletion of the word inspection).
- vi. The Committee agreed that an extra Audit Committee would be scheduled in March 2013. This would be cancelled should it not be required.
- vii. In reference to the Core City Work Programme Comparison, the CIA confirmed that Bristol satisfy the majority of the criteria. The following comments were made;
 - The Audit Committee would not be the appropriate forum to discuss the Annual Report on the *Planning Framework* (no. 31).
 - The CIA would scrutinise the Leeds reports on *Financial Management Arrangements* (no. 26) to ensure BCC report all the information contained.

RESOLVED - (1) that the provisional dates and format for the 2012/13 Audit Committee meetings be noted;

(2) that the Audit Committee meetings in 2012/13 start at 9.30 am;

(3) that the Audit Committee note the Core City Comparison;

(4) that the Leeds report on “Financial Management Arrangements” (item 26 of the Core City Comparison) be scrutinised to ensure Bristol City Council report on all areas.

AC

108.4/12 THE FOLLOW UP OF GRANT THORNTON RECOMMENDATIONS

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 12) summarising the current situation with regards to Grant Thornton recommendations.

The CIA referred to the creation of a protocol between the External Auditor and BCC, identifying Officers responsible for implementing recommendations. High risk recommendations would be tracked and reported twice a year, monitored jointly by BCC and GT.

Independent Member, Ken Guy highlighted the need to ensure implementation of recommendations and noted previous concerns when actions had not taken place. The Audit Committee would have a responsibility to call Officers to account.

The GT rep explained that setting External Auditor targets would include identifying direction of recommendations and information on implementation, allowing the Committee to assess the process. Cllr Brain suggested that there was no benefit in setting performance indicators for the External Auditor.

RESOLVED - that the report be noted.

AC

109.4/12 GOVERNMENT RESPONSE TO THE FUTURE OF LOCAL PUBLIC AUDIT CONSULTATION

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 13) noting the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum briefing paper.

The CIA referred to the recent focus on the Independent Audit Appointments Panel (IAAP). The recent Core Cities Audit Committee Chairs meeting discussed the potential for creating a mutual IAAP among the Core Cities. Leeds had agreed to lead on this proposal and would be sending letter to all Core Cities to gauge views and potential level of support.

The Committee discussed the merits of a Mutual IAAP and the following comments were made;

- Cllr Brain suggested that the Independent Members could be requested to attend a IAAP on behalf of the Committee. Re-consideration of remuneration would be required depending on the level of work involved.
- The CIA noted that BCC Full Council would need to approve any recommendations made by the panel.
- Independent Member, Brenda McLennan highlighted concerns that the IAAP would be required to appoint auditors to all 8 Core Cities simultaneously. The Chair re-iterated this concern and highlighted that the time commitment involved required assessment.
- Independent Member, Ken Guy suggested that a Mutual IAAP approach seemed to be a compromise. KG suggested that the number of Independent Members on the BCC Audit Committee could be increased and form a panel (supplemented by officers) who could then make appointments.
- The GT Rep noted that an IAAP appointment would risk the Authority being allocated an Auditor who would not work in collaboration. High level procurement skills would be required and the appointment skills of a panel would reduce between appointments (five yearly).
- Cllr Holland referred to the Local Government Association Improvement Board meeting on the 17th January 2012 and the following was quoted from the draft minutes of the meeting;
“Julie Carney from the Department for Communities and Local Government verbally updated Members on the most recent developments, including; the Governments proposals for the future of local public audit in the light of the earlier consultation exercise, the anticipated legislative timescale, engagement workshops with the sector and processes for outsourcing the work of the Audit Commission’s Audit Practice. With reference to potential cost difference between commissioning 3 year or 5 year contact, Julie Carney asked

Members to provide a steer on the sectors preference in terms of contact length.

In the ensuing discussion, Members made a number of comments and questions, which were responded to by Julie Carney, related to issues including;

- The sectors preference for 3 year contacts over 5 year contract if there was little difference in cost;
- Strong support for the sector undertaking their new role in appointing their own auditors without delay;
- Serious concerns that the Government proposals would not lead to a more competitive audit market in the long term;
- Discord between the principles of Localism and the prescriptive nature of the Governments proposals for appointing local public auditors and the need to address this imbalance;
- Concern regarding the future role of the National Audit Office above and beyond regulating the register of local public auditors.

Given the cross party consensus and strength of feeling regarding the issue, Members suggested that Board write to the relevant Ministers setting out the Board's concerns and recommendations and ensure that members of the LGA Executive are informed".

Appendix a to the minutes - the response from the Rt Hon Eric Pickles MP. Appendix b to the minutes – a summary of key points made by the LGA in response to the DCLG consultation paper on the future of local public audit. It was noted that a mutual IAAP would address some of the concerns identified by the LGA.

- Brenda McLennan noted that CLG has requested guidance from Local Authorities and would prefer the legislation to be non-prescriptive.

The Chair summarised the discussion and summarised the following concerns;

- A thorough assessment of the work load would be required. Appointments across the Core Cities would need to be staggered;
- Further clarification would be required on the composition of the Committee; including the ratio of Councillors and Independent Members;
- The skill set of the panel would require identifying;

- Remuneration for Independent Members would need to be assessed.

The Committee agreed that the Core Cities Mutual IAAP would only be appropriate for appointments to Core Cities. Each type of Council, e.g. Districts / Counties / Unitaries would need to create their own panel to ensure that appointment would be appropriate to the needs of the area. Cllr Holland would update the LGA Improvement Board on this suggestion.

RESOLVED - (1) that the Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum briefing paper be noted;

(2) that the Audit Committee agree that further consideration should be given to the Mutual Independent Audit Appointments Panel (IAAP) and request clarification on the concerns raised.

AC

110.4/12 AUDIT COMMITTEE DRAFT ANNUAL REPORT TO COUNCIL 2011/12

The Committee considered a report of the Strategic Director, Corporate Services (agenda item no. 14) suggesting a format for the Audit Committee's Annual Report to Council.

The CIA introduced the report and the Committee were invited to ask questions;

i. Cllr Emmett referred to section 9.17, related to the required budget reduction of 20% in periods 2012/13 to 2014/15. Reducing staff in a department, which saves the Authority money, would not seem appropriate. Internal Audit do important work above and beyond compliance assurance. Successes and deliverable benefits should be advertised.

ii. Cllr Brain re-iterated this concern, suggesting that information would also act as a deterrent. Cllr Emmett requested that the deterrent value be quantified.

iii. Cllr Holland noted that it was regrettable that without statutory Local Strategic Partnerships, there was less

encouragement for partners in the city to work together. (section 9.6 of the report)

Referring to major projects, she informed the meeting that the DfT (Department for Transport) had recently consulted on funding transport infrastructure projects through Local Enterprise Partnerships (LEPs) direct in future, rather than through local authorities or sub-regional partnerships. It was understood that this was not supported by many local authorities or the LGA, partly because of the difficulty of scrutinising the LEPs. She suggested that Peter Jackson, former Director in South Gloucestershire as the main officer contact for the LEP, could help with any future report to assess how Audit Cttee can keep the work of the LEP and West of England Partnership in view.

iv. Cllr Hassell referred to £20.3 billion per annum quoted as the cost of public sector fraud (section 9.29 of the report). Cllr Holland highlighted that the Local Government Fraud Strategy document provided some explanation, with only £2.2 billion (10%) estimated to come from Local Government Fraud and the majority coming from HM Revenue and Customs (HMRC). The CIA noted the difficulty in gaining information from HMRC.

RESOLVED - that the Audit Committee accept the report of the Audit Committee, noting the comments and suggestions made. A further Draft to be circulated to Members for comment prior to presentation to Full Council.

111.4/12 ANY OTHER BUSINESS

Cllr Brain thanked the Chair, Cllr Weston for the work over the previous year. The Chair thanked the Councillors, External Auditors and Officers for their contribution to the Audit Committee.

AC

112.4/12 DATE OF NEXT MEETING

RESOLVED - that the next meeting of the Audit Committee will be the first meeting of the 2012/13 municipal year and will be held on Friday 15th June 2012.

(The meeting ended at 4.00 pm)

CHAIR



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22 FEB 2012

Dear Peter

The future of local public audit

Thank you for your letter of 8 February following a recent meeting of the LGA Improvement Board.

We have relayed your views on timing to the Commission as part of the Government's view on whether the contracts should be three or five years in duration. As you know, it is, ultimately, for the Commission to award the contracts, and I expect they will announce their decisions on 6 March.

The need for an independent element in the appointment of auditors is a long-standing principle of audit (in both the public and private sectors). The proposals for independent auditor appointment panels are designed to balance this principle of independence with giving local authorities the power to appoint their own auditor, which I am glad to hear is a power you welcome. However, I do not wish to impose any unnecessary bureaucracy. The requirements for these panels will therefore be drafted to allow maximum flexibility for local authorities to adapt them to local circumstances. My officials are considering how this can be best be done, taking into account the issues raised by local authorities in the workshops we held in January, and they would welcome further input from LGA officers before we publish a Draft Audit Bill later this Spring.

Your ever
 Eric

THE RT HON ERIC PICKLES MP

17 January 2012

Item 2 (b)

Annex A

**GA response to DCLG consultation paper on the future of local public audit -
summary of key points:**

- Future arrangements for the Audit Commission's activities need to be set within the context of the Coalition Government's approach to transparency and stronger local, rather than national, accountability.
- External audit makes an important contribution to the stewardship of public resources, but the current arrangements can be improved.
- Councillors, local people and communities should be the primary audience for audit and a simpler and more easily understandable framework for published accounts is required.
- We welcome the proposal that councils should appoint their auditors.
- We fully acknowledge the need for appropriate safeguards to preserve the independence of audit and ensure public trust in the process and outcomes is not jeopardised. But at the same time we are concerned that the new approach to audit does not become over regulated and prescribed through Government guidance
- Audit Committees - This proposal is both excessive and unnecessary. It is reminiscent of the standards committees which the government recently recognised were overly bureaucratic and runs contrary to the Government's agenda around devolution and localism. Moreover there will still be a regulatory framework including the registration of auditors and monitoring of the quality of audits.
- Procurement: There needs to be sufficient flexibility in the arrangements for procuring audit to enable a number of organisations to work together to jointly procure audit across a local area.
- Scope of Audit: The scope of audit should in future be more tightly focussed around the accuracy of the financial statements and issues of probity (that the authority's financial activities are materially free from fraud and corruption).
- The new arrangements must deliver a competitive market. This is more likely where future arrangements do not dissuade smaller audit firms from entering the market.
- There is a need for greater clarity around the timescales for when councils will be able to appoint their own auditor.