

## **DISCLAIMER**

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

**Bristol City Council**

**Minutes of the Meeting of the Audit Committee**

**27<sup>th</sup> June 2014**

**Present:**

Councillors Alexander, Bolton, Brain, Hanby and Mead

Independent Member – Brenda McLennan

Apologies: Cllr Hanby, Christopher Eskell – Independent Standards Member and Ken Guy – Independent Member

Also Present: Max Wide - Strategic Director Business Change, Robert Woollatt - Finance , Barrie Morris – Grant Thornton, Melanie Henchy-McCarthy - Chief Internal Auditor, Alison Mullis - Chief Internal Auditor, Teresa Marston – Fraud Team Manager

**1. Election of Chair**

Councillor Mark Brain was elected Chair for the 2014/15 municipal year

**2. Election of Vice-Chair**

Brenda McLennan was elected as Vice-Chair for the 2014/15 municipal year.

**3. Membership of the Committee**

Membership of the Committee was noted as follows:

Labour	Liberal Democrat	Conservative	Independent Councillor	Green	Independent Members
Cllr Brain Cllr Hanby Cllr Mead	Cllr Janke	Cllr Alexander	Cllr Budd	Cllr Bolton	Ken Guy Brenda McLennan Christopher Eskell (for Standards Issues)

**4. Apologies for Absence and Substitutions**

Apologies were received from Councillor Phil Hanby and Independent Member, Ken Guy and Independent Standards Member, Christopher Eskell

**5. Terms of Reference**

The Terms of Reference were noted

## 6. Dates and Times of Meetings 14/15

The following dates and times were agreed:

2014	2015
Friday 11 <sup>th</sup> July 2014 @9.30 am Training – Public Meeting 11.00am	Friday 16 <sup>th</sup> January 2015 @9.30am
Tuesday 23 <sup>rd</sup> September 2014 @6.00pm	Friday 6 <sup>th</sup> March 2015 @9.30am
Friday 7 <sup>th</sup> November 2014@ 9.30am	Friday 24 <sup>th</sup> April @9.30am

## 7. Declarations of Interest

None received.

## 8. Minutes of the Audit Committee held on the 2<sup>nd</sup> May 2014

### Matters Arising

Cllr Gollop agreed to confirm whether or not the Mayors briefing on pensions had taken place.

The Suspense Accounts had now been cleared.

**Resolved:** that the Minutes be agreed as a correct record and signed by the Chair.

## 9. Public Forum

David Willingham presented an item of Public Forum requesting that the Council's Internal Auditors investigate the planning department. A copy of the statement is appended to the minutes.

The Committee discussed the request and in particular noted

- Any breach of the member/officer planning code was not a matter directly for the Auditors.
- Concerns in relation to Section 106 monies and whether the Council is missing out on potential funds either through mismanagement of the process or not maximising the money the Council receives through the negotiation process

**Resolved:** to request Audit to investigate the Section 106 process and evaluate the efficiency of the process and whether the Council is maximising its resources in this area.

**Resolved:**

## 10. Action Sheet

Noted.

### **11. Work programme**

Noted with change to September meeting date to the 23<sup>rd</sup> September at 6.00pm

### **12. Members Conduct – Standards Item**

No report under this item.

### **13. Appointment of Honorary Aldermen**

The Committee considered the report of the Democratic Services Manager endorsing the proposals on the appointment of Honorary Aldermen. Following approval of the Audit Committee, nomination would be considered at the Full Council meeting on the September 2014.

Information relating to Dr Doug Naysmith was circulated at the meeting and is included in the Minute Book.

**Resolved:** that, due to their significant contribution to the local community as outlined in the report, the proposals that the title of Honorary Aldermen be conferred on Sean Emmett, Peter Main, Dr Doug Naysmith and Sylvia Townsend and that Sylvia Townsend be known as an Alderwoman.(Full Council 16<sup>th</sup> September 14)

### **14. Benefit Fraud Investigation Annual Report 2013/14**

Teresa Marston, Fraud Team Manager presented the Annual Report and highlighted the following:

- In the last 10 years 1513 individuals have been prosecuted or sanctioned for benefit fraud as a result of criminal investigations undertaken by the BFIT
- During 2013/14 the Team investigated 776 cases and conducted 185 interviews under caution with suspected fraudsters. As a result of the investigations 142 individuals have been prosecuted or sanctioned
- There are significant direct financial benefits to the Council as a result of the Team's work.
- The Teams performance is steady – Appendix 1 to the report sets out the Team's performance over time.
- Appendix 2 to the report sets out the source of fraud referrals, including Benefits Service, pro-active data matching initiatives, calls to the Hotline and a program of proactive audits.
- Going Forward there will be Single Fraud Investigation Service (SFIS) to investigate the range of benefits administered by the Department of Work and Pensions (DWP), Local Authorities and her Majesties Revenue and Customs (HMRC)

- The SFIS Project is progressing to support a phased implementation and roll out between October 2014 and March 2016. The implementation date for Bristol is 1<sup>st</sup> March 2016 – making the authority one of the last to go.
- A Corporate Fraud Team is being further developed in Internal Audit to look at fraud and error across the whole authority.

The Committee noted in particular the following:

- The SFIS project is challenging but as the council will be one of the last authorities to transfer many lessons will have been learnt.
- There are some concerns about the staff resource going forward, but the Committee was assured by the Strategic Director Business Change comments about the structures now being set and recruitment could be made to vacant posts, via approval of the People Panel.
- The Committee congratulated the Benefit Fraud Investigation Service Manager and her Team on their successful work and the benefits to the Council.

**Resolved:** that the Annual report be accepted.

### **15. Internal Audit Plan 2014/15**

Melanie Henchy-Mcarthy – Chief Internal Auditor presented the plan and highlighted the following:

- The steps taken to formulate the plan – which results in a risk based audit plan sufficiently flexible to reflect the changing risks and priorities of the Council.
- A summary of proposed coverage for 2014/15, split by Audit type and indicative days. This includes more themed corporate days. The detail of the work is set out in Appendix A to the report.
- Other high risk reviews based on Audit's own assessment and the result of the consultation process leading to the formulation of the Plan. These elements include: Audit coverage of high-risk operational systems, providing the required assurances for maintained schools, Service development agenda and Traded Assurance Programme.

Members noted in particular:

- That although the Audit resource is shrinking there is a focus on maximising the resource, doing things more effectively and efficiently and more targeted work and the Team should be congratulated for this approach.
- Once the Section 151 Officer is in post the Audit Committee Chair would be involved in the Chief Auditor appraisal.

**Resolved:** that the Internal Audit Plan for 2014/15 be approved.

### **16. Internal Audit – Annual Report 2012/13**

Alison Mullis, Chief Internal Auditor presented the report and highlighted the following key issues:

- The Auditors opinion on internal control and risk exposure
- Areas of significant risk exposure
- A summary of internal audit activity during 2013/14
- Effectiveness of Internal Audit
- Details of follow up work and matters escalated
- Looking Forward including proposed Internal Audit Service Review
- The issues in the report have been considered by the City Council in the formulation of the draft Annual Governance Statement for 2013/14.

Members noted in particular the following:

- Internal Audit work in the past year has identified noticeable improvements in key risk areas and the direction of travel is good.
- The main areas of improved level of risk in comparison with previous years are: Financial Systems, Procurement Issues, Annual Governance Statement.
- The Council now has a stable financial control environment and is now able to identify risks and put in controls. The number of systems over which reasonable assurance could be provided has increased with performance moving from 58% at the end of 2012/13 to 80% at the end of 2013/14. This is still an area for further improvement but the direction of travel is good.
- More consideration needs to be given to the procurement requirements in relation to small and medium sized local businesses and voluntary sector organisations.

**Resolved:** that the report be noted and a copy of the Audit Committee Annual report to Full Council in July be sent to all members of the Committee.

### **17. Grant Thornton's Progress Report for 2013/14**

The report set out the work planned by Grant Thornton to form an opinion on the Council's annual financial statements and to provide a value for money conclusion. The final accounts audit will commence after submission of draft accounts to the Auditor on the 30<sup>th</sup> June 2014. Training will be provided to members at the July meeting on understanding the council's accounts, including the guide produced by Grant Thornton.

**Resolved:**

- (1) That the report be noted; and
- (2) That Working in tandem – Local Governance Review 2014 be a separate item on a future agenda.

**18. Protecting the Public Purse Fraud Briefing 2013**

Barrie Morris from Grant Thornton presented the briefing. The report outlined the findings of the Audit Commission's national report – Protecting the Public Purse 2013, including information from the national study. The report provided comparative information on Fraud detection activities of the Council compared to similar local authorities. The following issues were noted by the Committee:

- Nationally in 2012/13 total cases detected was 107,000 with a total value of £178 m. This is a fall of 14% since 2011/12 in the number of cases but less than 1% in value
- Bristol has detected approximately twice as many cases as its nearest comparator with 1,988 cases valued at £1.9 m.
- The Council's Council and Benefit tax performance has been aided by a dedicated benefit fraud investigation team.
- In relation to Housing Benefit and Council tax benefit fraud the number of cases detected by Bristol is 312 not 166. This makes Bristol the 4<sup>th</sup> best performing council in the Southern Unitary Authorities.
- The Council is performing well in relation to Social Housing fraud
- There have been no case in relation to Right to Buy – this needs to be placed in the context of number of RtB transactions and may also indicate that there is a very rigorous process which proactively pre-empts and deters fraud
- Similarly there were no cases detected in relation to the Blue Badge scheme – further investigations could reveal whether this is due to a very 'buttoned down' process which pre-empts fraud
- What are the processes that the Council has in place around Residents Parking Permits. The Council needs to ensure that in this area of high volume transaction there are the right fraud prevention measures in place.

**Resolved:** that the report be noted and that further information be brought to the Committee on processes to ensure pre-emption of fraud in relation to Blue Badges and Residents Parking Permits.

**19. Urgent Item – Audit Commission Letter Consultation on Auditor Appointment from 2015/16**

The Chair agreed to take this as an urgent item as responses to the consultation were required by the 25<sup>th</sup> July and the Committee did not have another meeting until September. A copy of the letter was circulated to all members.

The Letter is appended to the minutes.

The letter set out the background to the proposed appointment, consultation process and process for objecting to the proposed auditor appointment. The consultation is on the appointment of BDO LLP to audit the accounts of Bristol City Council from 2015/16 for two years, with effect from the 1<sup>st</sup> April 2015. The Strategic Director for Business Change requested the Committees views on behalf of the City Director. He highlighted both pros and cons in relation to the proposal – the Council currently benefits from a very good relationship with Grant Thornton, but on the other hand, experience of a different Auditor may be beneficial to the City Council and also in the run up to the City Council's own procurement of an Auditor in 2017.

Barrie Morris from Grant Thornton left the meeting at this point and the Committee considered the arrangements, in particular the following:

- The appointment would mean that the 14/15 annual accounts would be the last accounts which Grant Thornton would audit for the Council.
- The Audit Commission will close at the end of March 2015 and a transitional body will manage the contracts until their expiry in 2017 (or 2020 if the Department of Communities and Local Government opts to extend some or all of the contracts.
- The Audit Commission follows a robust procurement process and the Committee did not question the professionalism, experience and capability of the proposed Auditor.
- The appointment of a new Auditor may not necessarily help the Council in procurement of its own Auditor.
- A new Auditor would need to gain significant knowledge of the organisation and arguably the Council would not potentially get the full value for money of the Auditor until yr. 3 of an appointment.
- The most important facet of the proposal is that there is a possibility that it precludes the Council from making its own appointment in 2017.

**Resolved:** that the following comments be passed to the City Director as a response to the consultation.

'The Committee feels on balance that it would prefer not to change Auditor. This is not a reflection of the professionalism, experience and capability of BDO LLP but because the Council wishes to be in a position to appoint its own Auditor in 2017 and as such changing now for a period of two years would not be in the best interests of the Council.'

The meeting ended at 12.30pm

Chair