

**Bristol City Council**  
**Audit Committee**  
**27<sup>th</sup> November 2015**

**Report of: Chief Internal Auditor**

**Agenda Item 13**

**Report Title:** Markets Service –Controls Improvement Progress Update

**Ward:** City Wide

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

**Contract Telephone Number:** 0117 92 22063/22448

**RECOMMENDATION**

The Committee is recommended to note and comment on this Internal Audit Update Report on the Markets Service.

**SUMMARY**

This report presents the findings and conclusions from the follow up of Internal Audit's review of the Markets Service. The review was conducted as part of our 2015/16 Planned Programme and at the request of the Audit Committee.

**SIGNIFICANT ISSUES IN THE REPORT ARE:**

1. There has been improvement in controls within the Markets operation and work continues to further enhance arrangements.
2. The collection rate of Markets debt has improved and this is expected to continue.
3. Licence agreements with traders are being revised and updated.
4. The Service has now put in place performance monitoring arrangements.

**Policy**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards 2013).

## **Consultation:**

**Internal:** Strategic Leadership Team (SLT), Strategic Director: Business Change: Service Director: Finance, Deputy Mayor and Markets Office

**External:** N/A

## **1. Background and Context**

- 1.1 The Markets Service is responsible for the management, administration and operation of the Council's retail markets service. The Council enjoys established rights under the Markets Charter which provide for the control and regulation of market activity throughout the city. The Markets Service is responsible for the protection and utilisation of this asset. The principle operation is the daily St Nicholas Market but it also includes car boot sales, catering concessions, Christmas market, Friday and Saturday markets and the Farmers' market.
- 1.2 An audit review of Markets operations was undertaken in November 2012 resulting in a 'poor' audit opinion on the control, governance and risk management arrangements. Control weaknesses were particularly associated with two factors – the dominance of cash collections, and utilisation of a dedicated and separate Markets accounting system which did not interface with the main finance system. Both of these issues have now been resolved.
- 1.3 Follow up reviews took place in July 2013, February 2014, June 2014 and more recently in October 2015 to monitor progress with improving the arrangements within the Markets Service. At its meeting in April 2015, the Committee received an update from Markets management regarding progress made to address the control weaknesses identified by the Internal Audit reviews. However, at that time, several control issues remained outstanding and this report provides a summary of the latest position.

## **2. Summary of Audit Findings**

- 2.1 During this latest review, Internal Audit examined:
- the adequacy of income collection and debt recovery.
  - progress on the implementation of revised license agreements.
  - registering of Licenses on the Uniform Asset Management system.
  - the adequacy and appropriateness of performance management information to monitor outcomes achieved.

### **2.2 Debt Recovery**

- 2.2.1 We found that debt collection procedures had much improved with all stall holders invoiced at the start of 2015/16.

- 2.2.2 The income collection rate for the period 1<sup>st</sup> April 2015 – 31<sup>st</sup> July 2015 was 73% of income due, an improvement on collection rates reported at February 2015 (62%). This is a reflection of improved invoicing, monthly monitoring of income, earlier intervention when payments are missed and steps taken to ensure payment plans are in place for traders in arrears. New policies have been put in place and documented timelines created to show the process. This improvement needs to be sustained to maximise income received from the Markets operation.
- 2.2.3 Two stall holders were identified with significant debt from 2014/15, however steps are being taken to put payment plans in place to address this debt.
- 2.2.4 The Council's debtors section is used to manage debt recovery and are in the process of writing off historical debt which is considered non recoverable.

### **2.3 License Agreements**

- 2.3.1 All market stalls are now recorded on the Council's Asset Register ensuring that there is a central register for managing these assets.
- 2.3.2 The Service is currently working with Property and Legal Services to have a new licence agreement in place for all traders from 1<sup>st</sup> April 2016. The current licence agreements are unclear on terms and conditions of use of the stall. The new agreement will remedy this and allow prompt action against non-compliance. Additionally, the revised terms and conditions will enforce payment by direct debit/standing order (approximately 73% of current permanent stall-holders do not use 'automated' methods of payment) which should further improve income collection rates.

### **2.4 Key Performance Indicators (KPI)**

- 2.4.1 The Markets Service is now actively monitoring financial performance including income collection, debt recovery and occupancy levels. They are working with a financial and professional services specialist to report Market performance against profit margin as a KPI.

## **3. Conclusions**

- 3.1 The conclusions from our latest work are that progress has again been made in addressing outstanding control issues. Controls are operating at an acceptable level and management can take reasonable assurance that many of the risks to the service are effectively managed. We did however make further improvement recommendations in some areas all of which have been well received and implementation is in progress. Internal Audit is due to receive an update on these in April 2016 with a briefing requested by the Deputy Mayor soon after.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

Not applicable

## **Equalities Impact Assessment**

None necessary for this report

## **Legal and Resource Implications**

**Legal** – None sought

**Resources** - None sought

## **Appendices - None**

## **LOCAL GOVERNMENT ACCESS TO INFORMATION**