

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Tuesday, 15th May, 2012, 5.30 pm

Councillors: Andrew Furse (Chair), Gerry Curran, Dave Laming, Barry Macrae, Will Sandry, Brian Simmons and Geoff Ward

Independent Member: John Barker

Officers in attendance: Andrew Pate (Strategic Director, Resources), Jeff Wring (Divisional Director - Risk and Assurance Services) and Andy Cox (Group Manager (Audit/Risk))

Guests in attendance: Chris Hackett (Audit Commission) and Wayne Rickard (Audit Commission)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

2 ELECTION OF VICE-CHAIR

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

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

A change to proportionality arrangements agreed by the Council at its Annual General Meeting on 10th May had resulted in the allocation of a place on the Committee to the Independent Group and the loss of a Conservative Group place. Members welcomed Cllr Dave Laming as a new Member, and expressed their thanks to Cllr Kate Simmons for her year of service on the Committee.

4 DECLARATIONS OF INTEREST

There were none.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There were 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: 7 FEBRUARY 2012

These were approved as a correct record and signed by the Chair.

The Chair asked whether an update was available on the date when debt inherited from Avon County Council would be liquidated (minute 55). The Divisional Director for Risk and Assurance said that this would be covered in the Treasury Management Report presented to the next meeting of the Committee.

The Chair referred to the discussion at the last meeting about finding low-risk options for mitigating the impact of inflation on the Council's reserves, and said that he hoped that the search would continue.

9 INTERNAL AUDIT ANNUAL REPORT

The Group Manager (Audit/Risk) presented the report. He said that the Committee was being requested to note the 2011/2012 Outturn Report and to approve the Audit Plan 2012/13.

84% of the 2011/2012 plan had been completed and 16% had been cancelled or rescheduled because of unplanned work and sickness absence. Members requested that future reports should include the performance for previous years so that comparisons could be made and trends identified.

Cllr Sandry said that he was impressed by the amount of work done and by the percentage of audit recommendations accepted.

Cllr Curran asked why Clutton School, which had only implemented 50% of audit recommendations, was assessed as 4, whereas Oldfield Park Junior School, which had 88% of recommendations, was only 3. The Group Manager (Audit/Risk) replied that the assessment reflected both the proportion of recommendations accepted and the remaining risk; a follow-up visit was always made if high-risk issues remained.

Cllr Curran asked about the rescheduling of work relating to planning applications, appeals and enforcement and to Equalities. The Group Manager (Risk/Audit) replied that the planning work included section 106 and section 38 issues and would have consumed a great deal of the resource available. The Equalities work had been rescheduled following a discussion with the Divisional Director of Policy and Partnership, who had highlighted a high-risk area which Internal Audit had agreed to prioritise.

John Barker asked how the Internal Audit review of Key Control Areas related to the work of the External Auditor. The Group Manager (Audit/Risk) replied that the reference was to Key Control Areas of the individual service, which would not necessarily impact at the corporate level.

Cllr Laming asked whether the audit assessments were independent. The Group Manager (Audit/Risk) replied that Internal Audit was independent of the services it assessed. The Strategic Director – Resources added that it was important to understand the various roles in the corporate governance framework; Internal Audit reported directly to the S151 Officer and to the Chief Executive. It was hoped that Internal Audit would be both independent and informed about the work of the various services.

The Group Manager (Audit/Risk) then outlined the audit plan for 2012/2013. He said that 81 projects were planned based on the risk assessment process. The highest risk areas would generally be reviewed first. Time was also allocated for follow-up reviews.

Cllr Macrae said that he had some concern about the plan being in the public domain and available to all employees, who would be able to have some knowledge of when their service would be reviewed. The Group Manager (Risk/Audit) responded that the services were fully involved in the audit planning process; discussions were held with managers about the risks in their areas and managers should also regularly report any irregularities which occurred. The Divisional Director – Risk and Assurance reminded Members that there had been three redundancies in Internal Audit. A couple of years ago 100 audit projects had been included in the plan, and days had been set aside for unplanned work. Now there was a need for greater focus through the risk-based approach and it was essential to use all available working days productively. The Strategic Director – Resources said that care was needed when considering any further reductions in the resources of Internal Audit. If a significant issue arose he would discuss with the Divisional Director – Risk and Assurance whether temporary additional resources could be provided.

Cllr Simmons asked about the implications of the ending of the outsourcing of IT management to Mouchel. The Divisional Director – Risk and Assurance said that the contract had one more year to run; the audit arrangements for the future in-house service would be reviewed. The Strategic Director – Resources added that the fact that the Council had retained the ownership of IT assets would help make the transition to in-house IT management smoother.

RESOLVED

- i. to note the summary of audit work during 2011/2012;
- ii. to approve the Internal Audit Plan for 2012/13.

10 ANNUAL GOVERNANCE REVIEW UPDATE

The confidential “long list” of corporate governance issues was tabled. The Group Manager (Risk/Audit) explained that the Committee was being consulted on which issues should be included in the Annual Governance Statement as part of the process shown in Appendix 1 of the report. The list had been compiled through the exercise of “sound judgement” and guidance provided by the Chartered Institute of Public Finance and Accountancy, as described in paragraph 4.7 of the report.

Officers explained the background to individual issues. Members commented on them.

1. Parking Services and Bus Lane Enforcement

Cllr Sandry said that he thought that the purpose of traffic penalties was to strengthen traffic control; they should not be regarded as tax revenue and have budgets set for them. The Chair agreed that the problem seemed to be that a

windfall gain following the introduction of Automatic Number Plate Recognition (ANPR) had been used for future income projections.

Cllr Ward suggested that there was a lack of joined-up policy thinking in that on the one hand the City wished to promote tourism, but on the other discouraged visitors through parking penalties.

Cllr Simmons said that he understood that in Bristol 56% of penalties imposed through ANPR were rescinded on appeal.

2. Stowey Quarry and Woolley Valley

3. Planning – Decision Making and Planning Inspectorate Findings

Cllr Laming noted that the former Fuller's Earth site was not mentioned. The Group Manager (Audit/Risk) replied that it had been included in the list for previous years.

Cllr Sandry said that he thought residents had been misled about the risks arising from the proposed storage of asbestos waste at Stowey Quarry. He wondered whether, if there were more serious consequences if there was a successful appeal against a decision which the Development Control Committee had taken against officer advice, it would be possible for sensitive decisions to come to the Committee without an officer recommendation. Cllr Simmons agreed that the risks of the Stowey Quarry proposal had been misrepresented. He thought the Council was in a difficult position when dealing with knowledgeable site operators who were able to exploit grey areas in planning law. Cllr Curran, Chair of the Development Control Committee, updated members on the state of play with these applications. He then said that the Committee would have no point, if it could not take a decision against officer advice. The best the Council do in such cases was to take the best possible legal advice and then defend its position as best it could.

The Chair thought these items should certainly be included in the list of significant issues, because of the damage to the Council's reputation these high profile planning cases could cause.

4. Care Quality Commission/Ofsted Report – February 2012

The list stated that the overall effectiveness and capacity for improvement of the Council's Safeguarding and Looked after Children Services had been assessed as Grade 3 "A service that only meets minimum requirements".

Cllr Sandry noted that one key area for improvement noted in the CQC/Ofsted report was "the need to ensure that Health Partners comply with statutory guidance", which on the face of it appeared to be a governance issue for the partner organisations rather than the Council. He wondered whether, with the reduction from 4 Strategic Directors to 3, the Council had sufficient capacity to manage these issues. The Strategic Director – Resources said that it was difficult at present because it was a period of change, but in time the role of the Strategic Director - People and Communities should be much more sustainable. He emphasised the CQC/Ofsted had stated that the Council "fully" met the minimum standards.

It was agreed that the Chair would speak to the Chair of the Wellbeing Policy Development and Scrutiny Panel about this issue.

5. Transfer of Social Care and Health Services – Sirona

The issue was noted.

6. Continuity of Service Provision – Project 28

Cllr Laming was concerned to note that an advance payment of £41,000 was made to an organisation that subsequently entered into voluntary liquidation. The Group Manager (Audit/Risk) said cash flow issues always presented difficulty; organisations could fold if advance payments were not made. In this case it was fortunate that service provision resumed in four weeks and that some of the original staff were re-employed.

7. Teachers' Pension Fund – Qualification

This had been considered at the December 2011 meeting of the Committee. The issue was noted.

8. Carbon Management Plan

Cllr Macrae suggested that this should not have a high priority. The Group Manager (Audit/Risk), however, emphasised that if the Council failed to reduce carbon emissions it would incur Carbon Reduction Commitment tax costs from 2014.

Cllr Ward wondered why Fleet Management had increased carbon emissions when drivers had been on careful driver courses. Cllr Macrae pointed out that because of a reduction in parking spaces in Midsomer Norton, drivers of refuse collection vehicles had to use their own cars to drive from Midsomer Norton to Bath and then drive the collection vehicles to Midsomer Norton and vice-versa at the end of the day.

The Strategic Director – Resources said that there had been operational changes, which meant that rubbish collection vehicles had to go further to dump their rubbish. The cold weather had increased heating costs and, perversely, the Council remained accountable for energy use in Academies. The financial penalties for not meeting carbon reduction targets were serious: £300,000 in the first year, rising in subsequent years.

9. Traffic Management Accounts

The issue was noted.

In the ensuing debate, Cllr Macrae said that different levels of audit needed to be distinguished and suggested that there was a need to develop a policy audit function to help prevent policies conflicting and bringing unintended costs and consequences. Cllr Curran suggested that it would be helpful if the Chairs of the Policy Development and Scrutiny Panels were made aware of any issues in the service areas which they monitored which came before the Committee. The Chair agreed, and said that it was the role of the Panels to recommend policy changes. Cllr Sandry suggested that the PDS panels should have a higher place governance review process; at the moment they were only listed in a box at the very bottom of the methodology chart in Appendix 1. John Barker noted that many issues had long-term implications and that

with the move towards commissioning there would in future a very different structure of service provision. He suggested that the terms of reference of the Committee might be reviewed to allow it to engage with higher-level issues.

RESOLVED to note the report.

11 LOCAL GOVERNMENT FRAUD STRATEGY

The Group Manager (Risk/Audit) presented the report. He said that the new strategy was based on the robust approach to fraud recommended by the Audit Commission, as detailed in paragraphs 4.1 and 4.2 of the report. Appendix 2 contained a copy of the Government's report on "The Local Government Fraud Strategy". Appendix 3 contained the Council's draft Fraud Action Plan. The Committee was invited to comment on whether the Action Plan was in line with recommended best practice. He said that Internal Audit were currently reviewing tenancy fraud. The Council had not submitted a response to a Department of Communities and Local Government consultation on tenancy fraud, but SOMER Housing had. He informed Members that the meeting of the SOMER Liaison Panel referred to in paragraph 4.10 of the covering report had been postponed from 16 April to 15th July.

Cllr Simmons said there had been cases of unlawful sub-letting in his ward.

The Chair wondered how the Council could exercise control over social landlords. The Divisional Director – Risk and Assurance said it was important that there was a multi-agency approach. The Liaison Panel was a key part of the process at which the Council could express its views.

It was agreed that if the Liaison Panel meeting of 15th July showed that tenancy fraud was an ongoing issue, it should be referred to the Housing and Major Projects Policy Development and Scrutiny Panel.

RESOLVED to confirm that the Council's Fraud Action Plan is in line with recommended best practice.

12 APPOINTMENT OF EXTERNAL AUDITOR

The Divisional Director – Risk and Assurance presented the report.

The District Auditor said that there was provision to enable the DCLG to extend Grant Thornton's contract by three years after the initial five-year period. It would be possible for the Council to choose another approved external auditor, if, for example, Grant Thornton was doing other work for the Council that might conflict with the role of External Auditor, or if the Council was dissatisfied with any work done by Grant Thornton in the past. Fees had to be set to recover the Audit Commission's costs and had been reduced as the establishment of the Commission had been reduced. He circulated a table of the audit fees to be paid by the Council and the Avon Pension Fund in 2012/13 compared with 2011/12, which showed significant reductions. There should be no decline in the quality of the audit, as Grant Thornton

would be subject to the same quality control as the Audit Commission had been. Any new work not included in the initial plan would incur additional fees.

Cllr Macrae said that he felt this was a most unsatisfactory way of terminating a contract with External Auditors who had been challenging, but constructive. He had no doubt that audit fees would increase substantially in coming years. He proposed a vote of thanks to the Audit Commission for their excellent work. This was unanimously supported by Members.

Cllr Sandry asked why the Council was not simply allowed to choose its own auditor. The District Auditor explained that this would eventually be possible, but only when the new audit framework had been finalised by the DCLG and enacted by statute. The Audit Commission would remain in existence for another five years until the new framework came into force.

John Barker said that the External Auditors relied on the work of Internal Audit, so if a reduction in the resources available to Internal Audit meant a reduction in the area they were able to cover, the External Auditors might have to cover the gaps, resulting in an increase in fees. He wondered whether the windfall from the reduction in audit fees could be used to ensure that Internal Audit had sufficient resources. The Strategic Director – Resources said that there would indeed be a welcome saving from the reduction in audit fees. However, all Council resources were under pressure, and the savings had to be used optimally. The fact was that financial pressure on the Council was not going to go away.

RESOLVED:

1. To recommend Grant Thornton on a five year contract as the Council's new External Auditor as from 1st September 2012
2. To note the appointment of the Audit Commission as the interim auditor for the period 1st April 2012 to 31st August 2012.

13 EXTERNAL AUDITOR UPDATE REPORT

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

The meeting ended at Time Not Specified

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services