



## **AUDIT AND GOVERNANCE COMMITTEE**

**MEETING** : Monday, 25th June 2012

**PRESENT** : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Wood and Gilson

### **Others in Attendance**

Councillor Debbie Llewellyn, Cabinet Member for Performance and Resources

Mr I. Pennington, KPMG LLP

Tara Westcott, KPMG LLP

Sue Mullins, Monitoring Officer and Group Manager Legal and Democratic Services

Terry Rodway, Group Manager, Audit and Assurance

Steve Phelps, Group Manager, Financial Services

Joanna Harrison, Guildhall Manager

Parvati Diyar, Democratic Services Officer

Tony Wisdom, Democratic Services Officer

**APOLOGIES** : Cllrs. Porter

### **1. APPOINTMENT OF CHAIR AND VICE CHAIR**

The appointments of Councillor Wilson as Chair and Councillor Hobbs as Vice Chair were noted.

### **2. DECLARATIONS OF INTEREST**

Councillor McLellan declared a personal and non-prejudicial interest as a Member of Gloucestershire County Council.

### **3. MINUTES**

The minutes of the meeting held on 15<sup>th</sup> March 2012 and the joint meeting of the Audit and Standards Committees were approved and signed by the Chair as correct records.

Minute 42. 15<sup>th</sup> March 2012. Councillor Llewellyn advised that she would ensure that the outcome of enquiries into the Combined Heat and Power installation at GL1 would be reported to the Audit Committee.

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

**4. PUBLIC QUESTION TIME**

There were no questions from members of the public.

**5. PETITIONS AND DEPUTATIONS**

There were no petitions or deputations.

**6. GUILDHALL MANAGER**

The Group Manager, Audit and Assurance introduced the Guildhall Manager, Jo Harrison who had been invited to attend the meeting to provide Members with an update on the implementation of recommendations made following an internal audit.

Ms Harrison advised Members that the audit had been undertaken in her first week in post as Guildhall Manager. She noted the following:-

- Non-compliance with the requirement for orders to be placed in advance of invoices had been addressed. Job codes were no longer in use. Annualised orders were issued for some regular supplies, and there were a number of exceptions that would be going to the LEAN group. These mainly related to Show and Cinema returns and would be few and far between.
- Payment in advance was now required with the current exception of block bookings. A requirement for advance payment for these bookings would be introduced.
- Old debts totalling £1212.65p had been written off and a blacklist of debtors produced.
- The inventory was currently logged using Excel spreadsheets. she had prepared a report requesting new software with a stock control facility as the current system was 12 years old. She had been advised that this was not a high priority for BT&T.

Members expressed concern that this had not been recognised as a high priority requirement as the Guildhall was one of the Council's few sources of income generation.

The Group Manager, Financial Services explained that the organisation held very little stock other than stationery to warrant the purchase of software. He noted that the development of catering outlets at the Museums and Crematorium could help to justify such an investment.

Mr Pennington suggested that discussions be held with other local authorities and Ms Harrison noted that there were some areas with potential for partnership arrangements.

The Chair thanked Ms Harrison for her attendance.

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

**RESOLVED** to recommend that higher priority be accorded to the purchase of software with a modern stock control facility.

**7. STANDARDS ARRANGEMENTS UNDER THE LOCALISM ACT 2011**

The Monitoring Officer presented her report which detailed draft Codes of Conduct, draft arrangements for dealing with Code of Conduct complaints and various other changes required to meet the Council's standards obligations under the Localism Act 2011.

She noted that the Localism Act 2011 came into force last year and the standards provisions which had been due to come into force on 1<sup>st</sup> April 2012 had subsequently been put back to 1<sup>st</sup> July 2012.

Draft Codes of Conduct had been published in April and May 2012 but the regulations in respect of Disclosable Pecuniary Interests had been made on 6<sup>th</sup> June leaving little time for most authorities to consider, adopt and train Members in the new provisions by 1<sup>st</sup> July.

The report contained draft codes of conduct published by the Local Government Association, the Department for Communities and Local Government and the Association of Council Secretaries (ACSeS) and Solicitors with SOLACE. The Monitoring Officer had circulated a fourth draft prepared by Bevan Britten, a specialist public services law firm, which had arrived after publication of the agenda. She recommended that Members approve and adopt the ACSeS/SOLACE version with the following amendments proposed by the Standards Committee:-

1. Public Duties of Members – point 5.

Members have a duty to uphold **and comply** the law.

2. Rules of Conduct

Add 2.1 of the Bevan Brittan Code 'provide leadership to the authority and communities within its area, by personal example'. This to be the first rule.

Rules (1) and (4) to be combined to read 'Do treat others with respect and do not bully any person'.

Add 2.5 of the Bevan Brittan Code 'not misconduct yourself in a manner which is likely to bring the authority into disrepute'.

The Monitoring Officer noted that Forest of Dean District Council had adopted the ACSeS/SOLACE code, Tewkesbury and Cheltenham Borough Councils had adopted similar codes.

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

She advised that it would be necessary to amend Standing Orders with respect to Members' disclosure of interests and advised that the Standards Committee had recommended the following:-

- An additional Council Procedure Rule be added as Rule 24.01 (+ subsequent re-numbering) as follows:

*“Where a Member has a Disclosable Pecuniary Interest as defined by Regulations under the Localism Act 2011, they will be required to leave the meeting during discussion and voting on the item in which they have a Disclosable Pecuniary Interest” and*

- That the existing Rule 26 be amended accordingly and it be made clear that the new Rule 24.01 applies to all meetings of the Council, including Cabinet, Committees, Sub-Committees, Forums and Working Parties.

- An additional Council Procedure Rule be added as Rule 24.02 as follows:

*“Where a Member has a Pecuniary Interest (other than a Disclosable Pecuniary Interest), or a Non-Pecuniary Interest, both as defined in the Council's Code of Conduct, they are required to disclose the existence and nature of the Pecuniary or Non-Pecuniary Interest, at any meeting where the interest is relevant.*

- That the existing Rule 26 be amended accordingly and it be made clear that the new Rule 24.02 applies to all meetings of the Council, including Cabinet, Committees, Sub-Committees, Forums and Working Parties.

The Monitoring Officer noted that responsibility for dealing with misconduct complaints had been transferred from the Standards Committee to the Audit and Governance Committee. This would require changes to the Terms of Reference of the Audit and Governance and the creation of Terms of Reference for the proposed Hearing Panel. She noted that Quedgeley Parish Council would need to adopt a Code of Conduct and establish arrangements to deal with misconduct complaints and she was assisting in that process.

She noted the addition of the word 'relevant' to the third line of the first paragraph on Page 37 and Members indicated that they would prefer that the e-mail contact should be [monitoring.officer@gloucester.gov.uk](mailto:monitoring.officer@gloucester.gov.uk)

She advised that there would be consequential changes to the terms of reference for the Monitoring Officer that could be introduced under delegated authority.

She noted the potential for problems in maintaining political balance in the event of a complaint against a Member of the Committee.

Councillor McLellan expressed concern that the Independent Person could be placed in an invidious position if consulted by a Member who was the subject of a

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

complaint and by the Monitoring Officer or the Committee. He believed that the number of Independent Persons should be increased to two or three.

Members indicated that they preferred that the Committee should have one Independent Person with two reserves as resolved by Council.

Councillor Wood thanked the Monitoring Officer for her hard work and requested that a flow and decision chart of the process be produced.

Mr Pennington asked if Members were comfortable with the increase in workload. Members indicated that the anticipated increase in their workload was acceptable. The Monitoring Officer noted that it had been usual for one of the four scheduled Standards Committee meetings in the Civic calendar to be cancelled in recent years and if she had concerns about the committee workload she would have considered recommending the retention of a separate committee.

**RESOLVED TO RECOMMEND**

- (1) The Draft Code of Conduct at Appendix 3 be approved and adopted as Gloucester City Council's Code of Conduct;
- (2) The draft arrangements for dealing with standards complaints at Appendix 4 be approved and adopted;
- (3) The proposed changes to the terms of reference for the Audit and Governance Committee be approved;
- (4) The arrangements for the recruitment of one Independent Person and two Reserve Independent Persons and future work required be noted;
- (5) The amendments to Council Procedure Rules proposed by the Standards Committee at the meeting held on 26<sup>th</sup> June 2012.

**8. INTERIM AUDIT REPORT 2011/12**

The Group Manager, Financial Services circulated a revised version of the report which contained management responses to the key issues and recommendations at Appendix 1.

Mr Pennington introduced Tara Westcott who would be managing the City Council audit.

Ms Westcott outlined the key issues and recommendations in Appendix 1. She confirmed that those findings assessed as TBC were awaiting the outcome of work by Internal Audit or year end controls.

In answer to questions, the Group Manager, Financial Services confirmed that focussed and regular budget monitoring had taken place with Group Managers, GLT and the Cabinet throughout the year. He noted that managers had access to up to date data but had not provided evidence that it had been seen. He advised

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

that completion of the project would ensure that recommendation areas are targeted to provide a fully compliant and robust process.

He noted that the recommendation with regard to Generic User Accounts had been partially agreed and he believed any remaining risk was manageable or mitigable. He confirmed that Super Users had a higher level of access than Generic Users and advised that the third party users referred to were suppliers.

**RESOLVED** that the report be noted.

**9. INTERNAL AUDIT PLAN: FINAL MONITORING REPORT 2011/12**

The Group Manager, Audit and Assurance presented the report which provided details of the remaining audits completed as part of the Revised Internal Audit Plan 2011/12.

He advised Members that the reference on Page 70 to 'Periodic reconciliation of the Sundry Debtors system to the General Ledger' should be disregarded as this was a client-side function.

Councillor McLellan referred to the limited assurance relating to Choice Based Lettings (Page 74). The Group Manager, Audit and Assurance noted that although testing did not identify any material errors, the weaknesses identified provided greater potential for errors to occur. The recommendations had been made because of the potential higher risk of error and they had been received positively by the service manager.

The Chair noted the reference to manual checks to avoid duplicate applications. The Group Manager, Audit and Assurance advised that the high number of manual checks required did not represent an efficient use of resources. Applicants were now required to provide a National Insurance number which would enable the system to identify duplicate applications.

Councillor Wood received an assurance that recommendations had been made to ensure Registered Providers actually offered properties to the applicants at the top of the shortlist.

The Chair expressed concern that former employees had been able to retain access to the Council's IT system and was assured that this had been addressed.

**RESOLVED** that the audit work undertaken to date be endorsed together with the assurance given on the adequacy of internal controls operating in the systems audited.

**10. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

The Group Manager, Audit and Assurance presented the report on behalf of the Corporate Director of Resources who had been unable to attend the meeting due to sickness.

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

The report informed Members of the outcome of the review of the effectiveness of Internal Audit as required under the Accounts and Audit (England) Regulations 2011.

Councillor McLellan questioned the fall in the number of productive days per auditor and was advised that this was due to the long term absence of a member of staff and had been an important factor in deciding to revise the original Internal Audit Plan.

**RESOLVED** that the review process be approved and that the outcome of the Review of the Effectiveness of Internal Audit be noted.

**11. ANNUAL REPORT OF THE GROUP MANAGER, AUDIT AND ASSURANCE**

The Group Manager, Audit and Assurance presented his annual report which provided Members with a brief overview of Internal Audit work, compliance with Financial Regulations, Contract Standing Orders and general probity issues for the financial year ending 31<sup>st</sup> March 2012, and to provide an opinion on the overall adequacy and effectiveness of the Council's control environment.

Councillor McLellan expressed disappointment that 25 per cent of the opinions were limited or unsatisfactory compared to 10 per cent at Gloucestershire County Council.

Mr Pennington noted that the Audit Plan was risk based and therefore designed to focus on areas presenting a higher level of risk and the high levels of change introduced within the organisation created risks. The Group Manager, Audit and Assurance concurred noting the high level of savings achieved, the loss of staff and the pace of change within the organisation, all of which introduced various risks which needed to be managed.

Councillor Wood believed the key was that areas with limited assurance must improve and that the report demonstrated a healthy audit regime which was working well.

The Group Manager, Audit and Assurance advised Members that, where a limited assurance had been provided on an audit, a number of Rank 1 and 2 recommendations would have been made. Implementation of these recommendations would be the subject of a follow-up audit to ensure that they had been implemented. Any such recommendations that had not been implemented by the agreed date would be reported to Committee.

**RESOLVED** that the Annual Report of the Group Manager, Audit and Assurance be approved.

**12. ANNUAL GOVERNANCE STATEMENT 2011/12**

The Group Manager, Audit and Assurance presented the Annual Governance statement on behalf of the Corporate Governance Group. He explained that the

**AUDIT AND GOVERNANCE COMMITTEE**  
**25.06.12**

statement was a statutory requirement and had to be signed by the Leader of the Council and the Chief Executive.

He drew Members' attention to the significant governance issues that had been identified as a result of the review of governance arrangements. These were the changes in the standards regime required by the Localism Act, 2011 and advised that Group Managers and Gloucester Leadership team were reviewing the Strategic Risk Register.

**RESOLVED** that the Annual Governance Statement 2011/12 be approved.

**13. AUDIT COMMITTEE ANNUAL REPORT 2011/12**

The Group Manager, Audit and Assurance presented the report which detailed the work and achievements of the Audit Committee during the year 2011/12.

**RESOLVED** that the Audit Committee Annual Report 2011-12 be approved for presentation to Council.

**14. YEAR END STATEMENT OF ACCOUNTS UPDATE**

The Group Manager, Financial Services gave a presentation on the preparation of the end of year accounts covering the following:-

- Purpose of the Statement of Accounts
- The Legal Framework
- Publication
- Audit Committee Requirements
- Explanatory Foreword
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Notes to the Accounts
- Supplementary Statements and Accounts
- Main Changes
- Financial headlines
- Audit Process
- The Future

The Group Manager noted that the only cause of delay at the present time was a technical issue relating to the asset revaluation of Gloucestershire Airport.

Councillor McLellan noted that income was lower than budget. The Group Manager explained that this had been anticipated and would result in a lower contribution being made to reserves.

The Chair asked how the proposed quarterly management accounts would differ from the statement of accounts and was advised that the management accounts only presented one area of business as opposed to the whole picture presented by the statement of accounts.



**AUDIT AND GOVERNANCE COMMITTEE  
25.06.12**

**RESOLVED** that the report be noted.

**15. DATE OF NEXT MEETING**

Monday, 24<sup>th</sup> September 2012 at 18.30 hours.

**Time of commencement: 18:30 hours**

**Time of conclusion: 20:25 hours**

**Chair**