



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 25th November 2013

PRESENT : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes and Porter

Others in Attendance

Councillor Wood, Cabinet Member for Performance and Resources
Peter Gillett, Corporate Director of Resources
Terry Rodway, Audit, Risk and Assurance Manager
Sue Mullins, Head of Legal and Policy Development
Jon Topping, Head of Finance
Andrew Cummings, Management Accountant
Stephanie Payne, Audit, Risk Management and Value for Money Officer
Sarah Tilling, Financial Project Supervisor
Richard Webb, Asset Manager
Ross Cook, Head of Neighbourhood Services
Parvati Diyar, Democratic Services Officer

APOLOGIES : Cllrs. Llewellyn and Gilson

63. DECLARATIONS OF INTEREST

Councillor Porter declared a personal interest as a Member of the Aspire Trust Board.

64. MINUTES

The minutes of the meeting held on 23 September 2013 were confirmed as a correct record and signed by the Chair.

65. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

66. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

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67. RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS - CLIENT MONITORING OF PAYROLL SYSTEM

The Audit, Risk and Assurance Manager introduced the Financial Project Supervisor who had been invited to attend the meeting to provide Members with an update in relation to the implementation of audit recommendations relating to the payroll system. Members were reminded that this item was a result of a recommendation from a previous meeting of the Audit and Governance Committee.

The main areas of weakness identified were that there was an unsatisfactory level of assurance on the confirmation of the establishment by Group Managers, review of exception reports, reconciliation of the payroll to actual payments made and client monitoring of the payroll service level agreement (SLA).

The Financial Project Supervisor advised that following the issues picked up by Internal Audit, progress had been made addressing the issues.

An email had been sent to all Managers requesting them to review their establishment list. In addition to this, the SAP system allowed Managers to check staff at any point and they were expected to log into the SAP system regularly. The SAP system provided visual structures and was more transparent than the previous payroll system. HR would be meeting with Managers on a regular basis and structures would be discussed at these sessions to further emphasise the requirement on Managers.

It was identified that no exception reports were being provided and these were now in place and being checked monthly by the HR team. The current reports provide variance details from last pay to current pay. Further expansion of the reporting available would be investigated to produce a Gross to Net report for HR through the use of the Council's new software.

The Financial Project Supervisor confirmed that all reconciliations on payroll control accounts were now up to date and in balance. Following the audit the County Council provided additional reports that had allowed Finance to better identify payment details and this had enabled them to reconcile more simply.

Since the audit, some scoping had been undertaken to remove any uncertainty around who provided which part of the service detailed in the SLA. Moving payroll into HR had given a clear point of contact for officers and had allowed HR to better see the whole picture.

Currently a value for money review of the payroll service is being carried out by a member of the Audit and Assurance team. The SLA is currently under review to ensure more clear and defined targets and performance monitoring are in place. This area of work had not yet been completed but the intention was to ensure the findings of the value for money review were included.

The Financial Project Supervisor commented that the aim was to have a revised and agreed SLA in place by the end of the financial year so the Council could move forward into 2014/15 with improved assurance and confidence.

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The Chair enquired on the move of payroll from Finance to HR. The Corporate Director of Resources commented that although some services had been moved to the County Council, it was always the intention to move the residual payroll function and client monitoring of the SLA from Finance to HR.

In response to a question from Councillor Porter, the Corporate Director of Resources advised that whilst some teething problems had arisen during the transition period following the move to the County Council's SAP payroll system, it was important to work to make a success of the current arrangements. Alternative provision however would be benchmarked as part of the value for money review.

The Audit, Risk and Assurance Manager advised Members that a follow up audit would be undertaken to ensure all audit recommendations had been carried out. As previously agreed, any Rank 1 recommendations not implemented by the agreed date would be reported to the Committee.

Members thanked the Financial Project Supervisor for her attendance.

RESOLVED that the report be noted.

**68. RESPONSE TO INTERNAL AUDIT REPORT RECOMMENDATIONS -
RESPONSE REPAIRS CONTRACT**

The Audit, Risk and Assurance Manager introduced the Asset Manager who had been invited to provide Members with an update in relation to the implementation of audit recommendations relating to the client monitoring of the Response Repairs Contract. Members were reminded that this item was a result of a recommendation from a previous meeting of the Audit and Governance Committee.

The Asset Manager provided an update. He advised that the original contract dated back to August 2012 and was not operational until March 2013. During this period problems had arisen with the Contractor which had led to a lack of trust between both parties.

A preferred course of action had been identified to ensure value for money was being achieved and improvements had been made to contract standing orders. The audit recommendations had been accepted and actions agreed to implement them.

The Committee raised their concerns regarding the delays in work in view of the fact the Contractor had been appointed in 2012. If the contract was not fit for purpose this should be remedied as a matter of urgency.

The Corporate Director of Resources advised that the contract had been put into place by the Asset Manager's predecessor. The Asset Manager would ensure future contracts were dealt with appropriately.

Members thanked the Asset Manager for his attendance.

RESOLVED that the Asset Manager would provide a further update at the next meeting of the Audit and Governance Committee in March 2014.

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69. ACTION PLAN

The Corporate Director of Resources presented the updated action plan.

Councillor Noakes noted the improved layout and suggested that the completed items should have a date against it once it has been finalised. She added that dates which had not been achieved should remain in brackets against the revised target date.

Councillors Porter and McLellan commented that they had been unable to attend the Treasury Management Training held on 23 September 2013. The Corporate Director of Resources said he would repeat this event in 2014.

The Vice Chair asked why the purchase of software with a modern stock control facility at the Guildhall still had an amber status. He was advised that the newly appointed Manager was currently reviewing the existing processes and this item had an amber status as the target date was 31 March 2014 although it may not be completed by this date. Councillor Wood advised that a Working Group had been set up to look at the progress at the Guildhall. It was suggested that if no progress had been made by the target date, the Guildhall Manager be invited to provide an update at a future meeting of the Committee.

Councillor Porter commented on the combined heat and power installation at GL1 which had not worked correctly since its initial installation due to a problem with the main gas unit. He believed this item should be a red status. The Corporate Director of Resources said he would investigate this matter with the Asset Manager who would then email the Committee with an update.

In response to a query from the Chair regarding the Fixed Asset Register, the Corporate Director of Resources confirmed that the system upgrade was due to be completed week commencing 2 December 2013. The upgrade was necessary before the register could be implemented. The Head of Finance commented that the project to move from the Excel based asset register would commence on 1 December 2013. He did not want the implementation to be rushed and therefore the installation would not take place until he and Internal Audit were fully confident the asset register had been fully tested and reconciled. If this was not completed by year end it would be implemented in the new financial year. This had been agreed with external audit.

RESOLVED that the action plan be noted.

70. ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2013-14

The Committee received a report on the Annual Governance Statement Action Plan 2013/14, which had been prepared by the Corporate Governance Group advising Members of the action taken.

The Corporate Director of Resources commented that all actions within the report now had green status and target dates for completion had now been included.

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The Corporate Director of Resources provided an update on the restructure of Financial Services. He advised that Jon Topping, the Head of Finance had started in September and Andrew Cummings had been appointed as Management Accountant and the further restructure of Financial Services was underway.

The Interim Finance Change Manager had now completed the handover with the Head of Finance and would be finishing at the end of November 2013. He is currently undertaking some project work to support elements of finance work. The Project Accountant would be undertaking technical work until May to help cover the vacant post.

RESOLVED that the action taken on the Annual Governance Statement Action Plan 2013/14 be endorsed.

71. FINANCIAL SERVICES IMPROVEMENT PLAN

The Head of Finance presented the Financial Services Improvement Plan which detailed the progress undertaken by the Finance Team.

Members noted that following a handover with the Interim Finance Change Manager, the Head of Finance would now be the formal owner of the Improvement Plan.

In response to a question from the Chair, the Head of Finance confirmed that monthly meetings with Managers and budget holders would be held to ensure budget monitoring processes were being implemented.

Councillor Porter enquired about the £9k manual journal which had been required to balance the reconciliation. He was advised that this item had been reconciled and the matter was now complete.

In relation to the Fixed Asset Register whereby no resources had been allocated to deliver the project which was estimated to take three months, the Head of Finance referred Members to the discussion on the action plan and advised that action would be taken as soon as the system upgrade had been completed.

The Corporate Director of Resources advised that the Management Accountant was reviewing approval levels for different areas of spend. He confirmed that all invoices had now been coded.

Councillor Noakes suggested that it would be helpful to have completed target dates included on the Improvement Plan if an item had been closed.

RESOLVED that the Financial Services Improvement Plan be noted.

72. TREASURY MANAGEMENT UPDATE - QUARTER 2 REPORT 2013/14

The Committee considered a report by the Corporate Director of Resources fulfilling one of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommending that Members should be updated on treasury

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management activities at least twice a year, but preferably quarterly. The report covered Quarter 2 from 1 July to 30 September 2013.

The Committee was advised that investment rates available in the market had continued at historically low levels and had fallen further during the quarter as a result of the Funding for Lending Scheme. The average level of funds available for investment purposes during the quarter was £8.5m.

No borrowing had been undertaken during the quarter and to minimise investment risk, the Council had reduced external investments to minimise new external borrowing. This had been achieved by reducing the overall debt liability by repaying £5,000,000 of external debt however this policy would require ongoing monitoring.

The Council had not borrowed in advance of need during the quarter ended 30 September 2013 and had no intention to borrow in advance in 2013/14.

The Corporate Director of Resources commented that the Co-operative Bank was due to announce an opt out of providing services to local authorities. The City Council would take the opportunity to procure a new bank and a suggestion had been made to carry out a joint procurement with other district council's which would save on costs. The Corporate Director of Resources and the Head of Finance would be meeting with the Co-operative Manager and would seek financial or other support to fund any potential transitional costs.

RESOLVED that the report be noted and approval is given for any changes it may require to the prudential indicators.

73. RISK MANAGEMENT ANNUAL REPORT 2013

The Committee considered a report by the Audit, Risk and Assurance Manager which provided Members with an update on the Council's risk management activities from the past year and also future planned actions.

The Officer Risk Management Champion presented the report and advised that Councillor Llewellyn had been appointed as the new Member Risk Management Champion, replacing Councillor Wood who previously held the post.

It was noted that during the Officer Risk Management Champion's maternity leave her role was covered by a member of the Audit and Assurance team to ensure the continuity of risk management support within the Council was undertaken.

The strategic risk register was under review by the Gloucester Leadership Team (GLT) which included Group Manager sessions on a monthly basis. Service risk registers were also being reviewed by GLT and as at October 2013, the majority of service business plans and risk registers had been presented to GLT for review. The remaining seven service areas are scheduled for review.

Ongoing workshops have been offered to officers and managers. Risk Management training was offered to Members in February 2013 however the

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session had been cancelled due to low take up. It was anticipated to promote Member risk management workshop scheduled for 8 January 2014.

The Audit, Risk and Assurance Manager advised that currently six Members had confirmed their attendance on the workshop in January and asked if the Chair of the Committee could encourage Members to attend. The Chair advised that he would make an announcement at the next Council meeting scheduled for Thursday, 28 November 2013. The Audit, Risk and Assurance Manager would confirm whether it was a statutory requirement for Members to attend. It was noted that the email regarding the workshop would be re-submitted to all Members.

In response to a question from Councillor McLellan, Councillor Wood advised that the Terms of Reference for the Member Risk Management Champion were imprecise but the main role was to work in association with the Officer Risk Management Champion and ensure risks were managed in the appropriate manner.

RESOLVED that the risk management process undertaken to date and the planned future work be endorsed.

74. INTERNAL AUDIT PLAN 2013/14 - MONITORING REPORT

The Committee considered a report by the Audit, Risk and Assurance Manager informing Members of the audits completed as part of the approved Internal Audit Plan 2013/14.

At the previous meeting of the Committee, Members received an update from the Markets Manager on the implementation of internal audit recommendations. It was agreed that a further update would be provided at the next meeting. The Audit, Risk and Assurance Manager advised that the Markets Manager had now left the Council's employment and therefore the audit would be undertaken when a replacement was in post and would be reported to the Committee at its meeting in March.

The Vice Chair acknowledged that no Manager was currently in post but believed this should not prohibit the audit to be undertaken. The Audit, Risk and Assurance Manager confirmed that the audit would now be carried out in January 2014.

The Audit, Risk and Assurance Manager referred to Appendix A of the report which detailed the lists of audits completed during September 2013 to October 2013.

The Committee noted that the audit recommendation for the Streetcare Contract – Client Monitoring had been given an unsatisfactory level of assurance. The Head of Neighbourhood Services provided an update. He welcomed the report and advised the audit recommendations had been taken on board and a number of actions were now in place. Amey had recently taken over Enterprise and the consultation on the realignment of Neighbourhood Services had been completed. A number of issues in the report had been superseded by other changes and were being monitored in a different way.

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Councillor McLellan referred to the possible overpayment of £280k. It was noted that this referred to the method of calculation of the Annual Contract Sum. Amey had been asked to confirm if this calculation was correct.

Councillor Porter expressed his disappointment with the report and believed the Council should recover the £280k from Amey. The Head of Neighbourhood Services reassured Members that all issues identified within the report were now being addressed. The Interim Finance Change Manager was currently identifying any potential overpayment.

The Head of Neighbourhood Services commented that under the new staffing structure, there would be a split of roles between contract management and service delivery. One of the recommendations was to formalise the Strategic Streetcare Partnership meetings and it was now proposed that the Group would receive quarterly monitoring reports.

It was agreed that the Head of Neighbourhood Services would provide an update at the Audit & Governance Committee in March.

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

75. COMMITTEE ON STANDARDS IN PUBLIC LIFE - ANNUAL REPORT 2012-13

The Committee considered a report by the Monitoring Officer informing them about the work of the Committee on Standards in Public Life during 2012/13 and to identify any changes to be made to the Council's governance arrangements in light of the report.

The Monitoring Officer referred to the two key areas of relevance, one of which included the number of areas within the Standards in Public Life report which were relevant to the work of the Audit and Governance Committee. The report reached four main conclusions and recommended eight best practice points. Reference was made regarding ethical issues which should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers.

The second area of relevance related to the description and guidance to the Seven Principles of Public Life which had been amended.

RESOLVED:

- 1. That the contents of the Annual Report 2012-13 of the Committee on Standards in Public Life, set out in Appendix A be noted.**
- 2. That the current position and proposed actions in relation to the best practice points identified in paragraph 3.3.5 of the report be noted and approved.**

and RECOMMENDED:

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- 3. That the Council's Code of Conduct for Members be amended to reflect the updated Seven Principles of Public Life, as set out in paragraph 3.3.6 of the report.**

76. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - ANNUAL REVIEW OF PROCEDURAL GUIDE

The Committee considered a report by the Chief Executive requesting Members to review and update the Council's procedural on RIPA and requesting that last year's use by the Council of its RIPA powers be noted.

The Head of Legal and Policy Development advised that no activity had occurred during the last year and therefore the Council had not made use of its RIPA powers. This was mainly due to the change restricting RIPA authorisations for directed surveillance to offences which carried a maximum custodial sentence of 6 months or more.

The Council received its most recent inspection by the Office of Surveillance Commissioners (OSC) on 27 July 2012. The suggestions for amendment and improvement arising from the inspection had been incorporated into the draft Procedural Guide as shown at Appendix 1. A further minor change related to a job title change for the RIPA Co-ordinator.

RESOLVED:

- 1. That the proposed changes to the Council's RIPA Procedural Guide and the Council's use of its RIPA powers in the last year be noted.**

and RECOMMENDED:

- 2. That the changes to the Procedural Guide at Appendix 1 be approved.**

77. REVIEW OF TERMS OF REFERENCE FOR AUDIT AND GOVERNANCE COMMITTEE

The Committee considered a report by the Head of Legal and Policy Development requesting that a Working Group of the Committee reviews the Terms of Reference for the Committee and identifies any changes to the Terms of Reference that should be recommended to the Constitutional and Electoral Working Group and Council.

The Head of Legal and Policy Development commented that it was good practice for a Working Group to be formed to consider the frequency of Committee meetings due to the volume of business at recent meetings. The next meeting of the Committee is scheduled for 17 March 2014 and this would be too late for any changes to the Committee's Terms of Reference to be included in this year's Constitutional review.

It was noted that the updated CIPFA guidance on the review of the effectiveness of the audit committee was anticipated later this month or early December.

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RESOLVED:

- 1. That a Working Group be formed comprising of at least three members of the Committee to review the Terms of Reference for the Committee.**
- 2. That the Working Group be instructed to consider and make recommendations on the frequency of Audit and Governance Committee meetings.**
- 3. Subject to the CIPA guidance, the Working Group would consist of the Chair, Vice Chair and Councillor Porter.**

78. UPDATE ON THE PEER REVIEW

The Corporate Director of Resources updated Members on the peer review.

He advised that the peer challenge would be held from 11 to 13 December 2013 inclusive. The challenge would concentrate on the following five key headings:

- Understanding of local context and priority setting
- Financial planning and viability
- Political and managerial leadership
- Governance and decision making
- Organisational capacity

The Peer Team would consist of the following:

- Steve Packham - Chief Executive, Chelmsford City Council
- Gerald Almeroth - Strategic Director for Resources, London Borough of Sutton
- William Nunn - Conservative member, former Leader of Breckland Council
- Sir Stephen Houghton CBE - Labour member, Barnsley Council
- Chris Bowron – Programme Member, Peer Support, LGA

The Peer Challenge Team would be allocated a base room for the duration of their visit, which would be located on the 4th Floor in close proximity to the Chief Executive's office. A Corporate Support Officer would provide any assistance they require.

GLT had been asked to complete a self assessment which would be submitted along with other documentation requested by the Team.

A proposed list of officers/Members/focus groups which the Peer Team would interview during the review had been drafted. This would consist of Group Leaders, Cabinet Members, GLT, the Head of Legal and Policy Development, The Audit, Risk and Assurance Manager and Senior Managers. Frontline staff focus group would involve a cross section of staff and key partners including Gloucester City Homes, Amey, Aspire Sports & Cultural Trust, the Dean of Gloucester, the Chief Executive at the County Council would also be interviewed.

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The Peer Team would present their findings on the final day of the review.

RESOLVED that the report be noted.

79. SERVICE RISK REGISTERS

The Audit, Risk and Assurance Manager advised he did not have any additional information to add following the last meeting. As stated in the Risk Management Annual Report, Service Risk Registers continued to be reviewed by the Gloucester Leadership Team (GLT).

The Committee agreed that this item should no longer be included as a standing item.

RESOLVED that the report be noted.

80. WORK PROGRAMME

The Corporate Director of Resources presented the proposed work programme for the Audit and Governance Committee.

The Committee were advised that due to the size of recent agendas, an additional meeting of the Audit and Governance Committee would be arranged with the external auditors, KPMG for late January or early February 2014.

The Committee agreed to this proposal.

RESOLVED:

- 1. That the Audit and Governance Committee Work Programme be noted.**
- 2. That the Corporate Director of Resources would liaise with the Democratic Services Officer and identify potential dates for an additional meeting.**

81. DATE OF NEXT MEETING

Monday, 17 March 2014 at 6.30pm.

Time of commencement: 18:30 hours
Time of conclusion: 20:35 hours

Chair