



Audit and Governance Committee

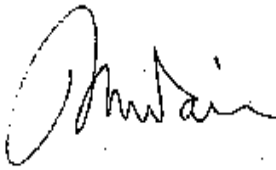
**Special Meeting: Monday, 27th January 2014 at 6.30 pm in Civic Suite,
North Warehouse, The Docks, Gloucester, GL1 2EP**

Membership:	Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Llewellyn, Porter and Gilson
Contact:	Parvati Diyar Democratic Services Officer 01452 396192 parvati.diyar@gloucester.gov.uk

AGENDA

1.	APOLOGIES To receive any apologies for absence.
2.	DECLARATIONS OF INTEREST To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
3.	PUBLIC QUESTION TIME (15 MINUTES) To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"> • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
4.	PETITIONS AND DEPUTATIONS (15 MINUTES) To receive any petitions and deputations provided that no such petition is in relation to: <ul style="list-style-type: none"> • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
5.	UPDATE ON PEER REVIEW To receive a verbal update from the Corporate Director of Resources.

6.	KPMG ANNUAL AUDIT LETTER 2012/13 (Pages 5 - 12) To receive the Annual Audit Letter 2012/13 from KPMG.
7.	DATE OF NEXT MEETING Monday, 17 March 2014 at 6.30pm.



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Julian Wain
Chief Executive

Date of Publication: Friday, 17 January 2014

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

<u>Interest</u>	<u>Prescribed description</u>
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either –

- i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
- ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For further details and enquiries about this meeting please contact Penny Williams, 01452 396125, penny.williams@gloucester.gov.uk.

For general enquiries about Gloucester City Council’s meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

FIRE / EMERGENCY EVACUATION PROCEDURE

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.



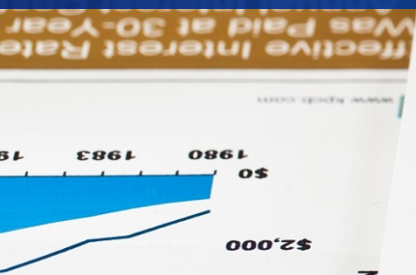
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Annual Audit Letter 2012/13

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Goucester City Council

October 2013

Agenda Item 6



The contacts at KPMG in connection with this report are:

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Report sections

- Headlines

Appendices

1. Key issues and recommendations
2. Summary of reports issued
3. Audit fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 audit of Gloucester City Council (the Council).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

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VFM conclusion	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 26 September 2013.</p> <p>This means we are satisfied that the Council has proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Council's financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We identified a number of significant risks to our VFM conclusion and considered the arrangements the Council has put in place to mitigate these.</p> <p>In particular, we considered the issues that led to the previous year's VFM conclusion being qualified and were satisfied that the Council had addressed sufficiently the underlying weaknesses seen during 2011/12 to not require continuing qualification.</p>
Audit opinion	<p>We issued an unqualified opinion on the Council's financial statements on 26 September 2013.</p> <p>This means that we believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year. The financial statements also include those of the Authority's Group, which consists of the Council itself, Gloucester City Homes and Gloucestershire Airport Limited.</p>
Financial statements audit	<p>We have noted an improvement in the quality of the accounts and the supporting working papers from the previous year, but more work needs to be done to reduce the number of changes required to the draft accounts. We identified four significant audit adjustments to the accounts and the Council also identified a number of further adjustments required to the draft accounts during the audit. These changes were made in the published financial statements where necessary.</p> <p>The Authority has started the process of recruiting permanent post holders to key Finance positions and therefore it is critical that adequate knowledge transfer and handover processes from the interim team are in place.</p> <p>There remains a need to improve record keeping relating to fixed assets. The Council has plans to implement a new fixed asset system in 2013/14 which should help it address these concerns, by allowing greater functionality to cope with the complexities associated with local government capital accounting. It is critical that data loaded onto the new system is reviewed and cleansed thoroughly to assure its accuracy and completeness.</p>
Annual Governance Statement	<p>We reviewed the Council's <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>

We provide a summary of our key recommendations in Appendix 1.

All the findings in this letter have been previously reported to the Council's Audit & Governance Committee. The detailed findings are contained in the reports we have listed in Appendix 2.

Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of the Whole of Government Accounts return required by HM Treasury. We did not identify any issues from this review.
High priority recommendations	<p>We raised one high priority recommendations as a result of our 2012/13 audit work, relating to elements of capital accounting. This is detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up this recommendation as part of our 2013/14 work.</p> <p>We also revisited the recommendations from our previous audit and concluded that the Council had made good progress overall. Of the 22 recommendations issued in the 2011/12 audit, 18 had been implemented fully. We are satisfied that the Council has plans in place to address the recommendations which had not yet been implemented fully within a reasonable timescale.</p>
Certificate	<p>We issued our certificate on 26 September 2013.</p> <p>The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	Our fee for 2012/13 was £139,500, excluding VAT. This is in line with the planned fee for the year and is a 48% reduction on the fee for 2011/12. Further detail is contained in Appendix 3.

This appendix summarises the high priority recommendations that we identified during our 2012/13 audit, along with the Council’s responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

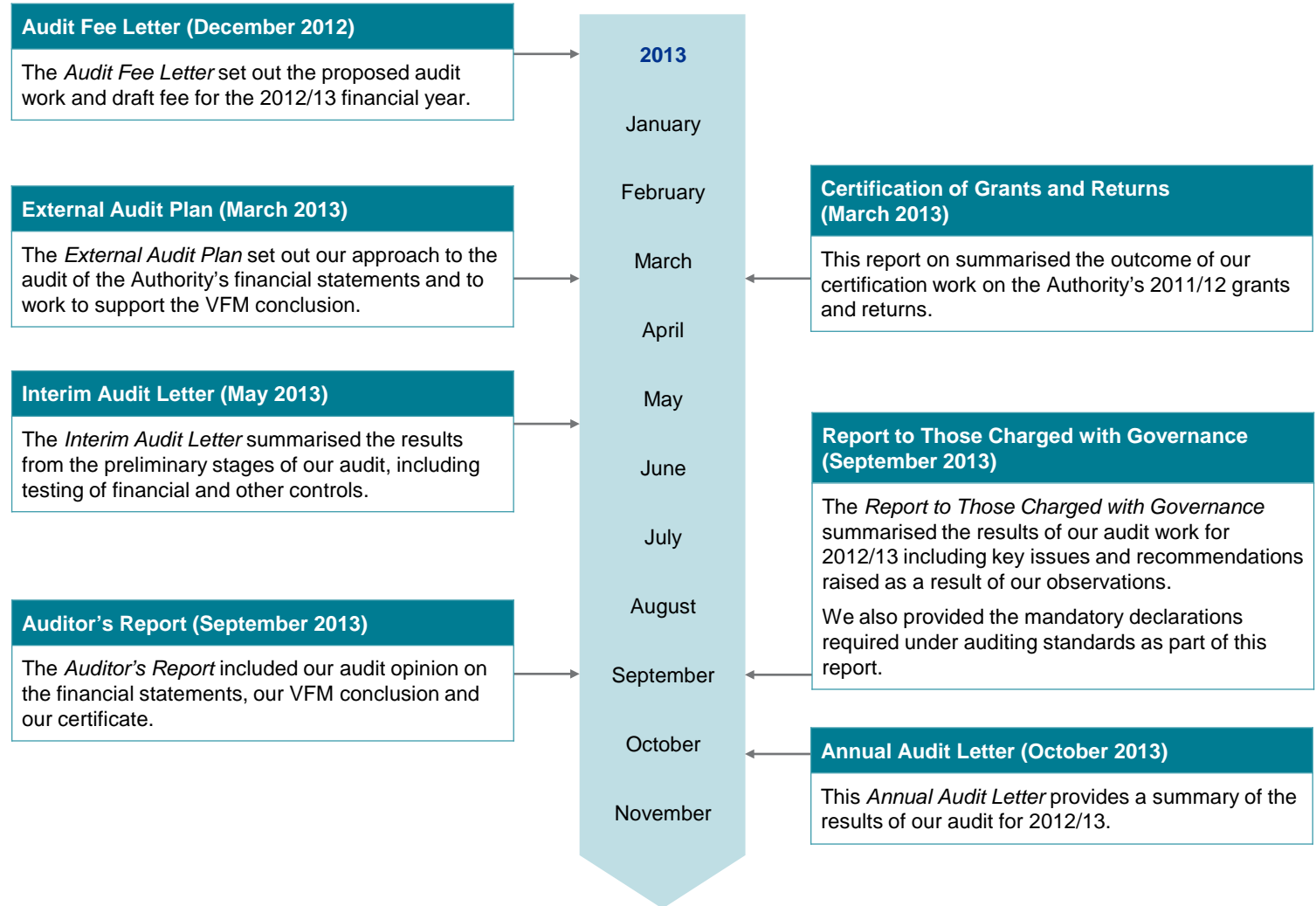
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No.	Issue and recommendation	Management response/ responsible officer/ due date
1	<p>Review of community and intangible assets</p> <p>Further work is required by the Authority to consider whether community and intangible assets are categorised correctly within fixed assets in the accounts.</p> <p>From our review of the Authority’s fixed asset register a number of assets totalling £7.1m in value were identified as infrastructure assets but with descriptions that may indicate that they are community assets.</p> <p>From our initial review of intangible asset additions in the year, which amount to £0.8m, it is not clear from the descriptions whether all the expenditure is capital in nature and meets the definition of an intangible asset under the Code.</p> <p>Recommendation</p> <p>Undertake a detailed review of the above classes of assets to identify whether they meet the definition of capital expenditure as per the Authority’s accounting policy and per the Code (for intangibles) and have been correctly classified (for infrastructure / community assets).</p>	<p>The infrastructure assets with a value of £7.1m have been historically been classified as such for several years. Any reclassification of these assets will be of a presentational nature only and will have no impact on the Income and Expenditure account as the depreciation rates will remain unchanged.</p> <p>We are essentially satisfied with the treatment and classification of the intangible assets additions in the current year as the vast majority of this relates to capitalised labour costs, however, we acknowledge the need to carry out a detailed review of these assets and reclassify or expense where considered necessary.</p> <p>The Council is already carrying out a detailed review of the classification of infrastructure and intangible assets in the current financial year. This will be carried out prior to the uploading of the assets register onto the new system which is scheduled to take place prior to 31 March 2014.</p> <p>Albeit, recognised as an issue we consider the point to not be a high risk, as there is no impact on the level of General Reserve or a misstatement of the Balance Sheet.</p>

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and your Audit & Governance Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

Our final fee for the 2012/13 audit of the Authority was £139,500. This is an overall reduction of 48 percent on the comparative total fee for 2011/12 of £269,500.

Last year's fee reflected the significant additional audit work necessary to complete the audit and was considerably above the original planned fee.

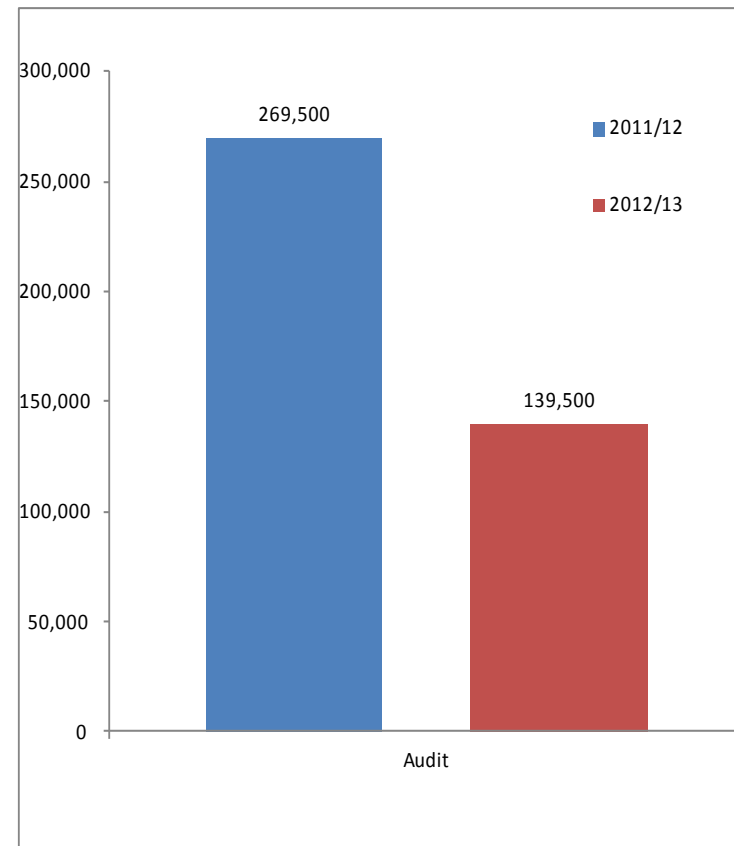
The final fee this year is in line with the planned fee. Whilst still above the Audit Commission's scale fee of £85,400, this significant reduction compared to last year demonstrates the improvements that have been seen in the Council's accounts preparation.

Our fees are still subject to final determination by the Audit Commission and therefore, pending this, represents our best estimate of the cost for the year.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.

External audit fees 2012/13 (£)





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