

AUDIT COMMITTEE

MEETING : Thursday, 15th March 2012

PRESENT : Cllrs. Wilson (Chair), Wood (Vice-Chair), Noakes, Lugg and Porter

Also in attendance

Councillor Debbie Llewellyn, Cabinet Member for Performance and Resources

Darren Gilbert, KPMG LLP

Mr I. Pennington, KPMG LLP

APOLOGIES : Hobbs

37. DECLARATIONS OF INTEREST

Councillor Porter declared a personal and non-prejudicial interest in agenda item 6, Review of Energy Efficiency, as a trustee of Aspire Sports and Cultural Trust.

38. MINUTES

The minutes of the meeting held on 8th December 2011 were approved and signed by the Chair as a correct record.

39. PUBLIC QUESTION TIME

There were no questions from the public.

40. PETITIONS AND DEPUTATIONS

There were no petitions or deputations.

41. RISK MANAGEMENT STRATEGY

The Group Manager Audit and Assurance introduced Stephanie Payne who had recently been appointed as Audit, Risk Management and Value for Money Officer. Ms Payne's responsibilities included being the Council's Officer Risk Champion.

Ms Payne presented the strategy which had been developed with the support of Councillor Wood, the Member Risk Champion. The strategy was intended to re-engage staff and Members. Best practice elsewhere, including Shropshire, had informed the process. She noted that the Council's risk appetite was the amount of risk it was prepared to take in order to achieve its objectives which could then be factored into planning, decision making and delivery. She outlined the risk management cycle, types of risk, roles and responsibilities and business continuity planning.

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Ms Payne advised that new business plans were being prepared for services that would facilitate the preparation of operational level risk registers in addition to strategic level registers. She noted that the risk management strategy was a core part of the Council's corporate governance and internal controls system and, as such, the strategy should be embedded within the organisation.

The Chair welcomed the strategy which was the first major revision since 2008.

Councillor Wood, as risk champion, noted the importance of the strategy as a strategic document. He stated that the risk appetite must be set by Members and the Committee must ensure that the strategy is embraced across the complete Council.

Councillor Noakes referred to Appendix A and requested that closed risks be allowed to remain in the register for some time after they had expired. She was advised that the financial definitions had been established after discussions with Gloucester Leadership Team and Group Managers.

Councillor Porter referred to the risks associated with the programme of redundancies necessary to achieve the budget savings. The Corporate Director of Resources advised that these risks had been assessed throughout the process and reminded Members that risk information was now included on every committee report. He noted that loss of staff in some areas would inevitably result in a loss of expertise but every effort was being made to mitigate the effects.

Councillor Lugg referred to Appendix A and suggested that service user complaints should be qualified by the addition of the word 'justified'. She also noted that adverse national media coverage could be catastrophic.

RESOLVED that the Risk Management Strategy be approved.

42. REVIEW OF ENERGY EFFICIENCY

Darren Gilbert of KPMG introduced the review of energy efficiency that had been produced as part of the 2010/11 audit. It was a bespoke value for money report which had been prepared with the assistance of KPMG property experts. He noted that the review comprised a corporate overview and a detailed examination of GL1 which represented 50 per cent of the Council's energy consumption. He noted that the Council had a commitment to improving both financial and non-financial aspects of its energy consumption and the review identified areas for further improvement.

The review recommended that strategies be rationalised and further work be undertaken on the gathering of data to ensure decisions were informed by quality granular information. Mr Gilbert noted that the Council's overall consumption was increasing year upon year.

The Chair welcomed the report and asked if energy use and awareness were included in staff appraisals. The Corporate Director of Resources noted that energy consumption would be addressed as part of budgetary considerations within the appraisal process. He noted the positive response from the Regeneration

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Directorate Property Team where specific actions had been assigned to specific posts.

Councillor Wood requested that outcomes of the actions be reported to the Audit Committee.

Councillor Porter noted that Aspire had not seen the final report prior to him discussing it with the Trust's Chief Executive, Mr Elway. Councillor Porter advised that the Combined Heat and Power (CHP) system was not working to planned efficiency due to insufficient gas main pressure. The unit was currently out of use as the emissions were too close to the air conditioning intake.

The Chair requested that the Cabinet Member for Resources and the Corporate Director of Resources make further enquiries as a matter of urgency. It was confirmed that the responses on Page 23 of the report had been prepared by City Council officers.

Councillor Llewellyn confirmed that the outcome of enquiries into the CHP would be reported to the Audit Committee.

RESOLVED that the Review of Energy Efficiency be received.

43. CERTIFICATION OF GRANTS AND RETURNS 2010/11

Darren Gilbert of KPMG presented the report which detailed the certification of the Council's grant claims and returns for 2010/11. He advised that the Housing Benefit claim had been increased by £5,322 as a result of the work. The auditor was required by regulation to report very minor adjustments and in some cases cells requiring adjustment had been locked by Government. These were now being made accessible for the necessary adjustments to be undertaken.

He confirmed there were no areas of major concern and advised Members that the brevity of the report should be regarded as an indication of the quality of the work.

RESOLVED that the Certification of Grants and Returns 2010/11 be received.

44. EXTERNAL AUDIT PLAN 2011/12

Ian Pennington of KPMG presented the External Audit Plan 2011/12 which described how the audit and value for money work undertaken for the City Council by KPMG would be delivered for the 2011/12 financial year.

Members were advised of the changes in accounting practice for heritage assets and were assured that museum assets were all known and had been included in the accounts together with the civic regalia.

Mr Pennington confirmed that KPMG would inform the Council if the audit identified risks not recognised by the Council and would provide suggestions for mitigation of those risks.

RESOLVED that the External Audit Plan 2011/12 be approved.

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45. TREASURY MANAGEMENT STRATEGY

The Corporate Director of Resources presented the report which detailed the Treasury Management Strategy for 2012/13.

He noted that the Member training session had been well attended and he confirmed that treasury management would be included in the induction training in May which would be available to all Members.

Mr Pennington advised Members that the strategy was one of the most accessible that he had seen recently.

RESOLVED TO RECOMMEND that

- a) Council approves the reporting of the prudential indicators setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.
- b) Council approves the Minimum Revenue Provision (MRP) Policy which sets out how the Council will pay for capital assets through revenue each year.
- c) Council approves the treasury management strategy statement which sets out how the council's treasury service will support the capital decisions, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the council could afford in the short term but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003.

46. TREASURY MANAGEMENT PERFORMANCE 2011/12 QUARTER 3

The Corporate Director of Resources presented the report which detailed treasury management performance for the third quarter of 2011-12. He advised Members that performance remained good against benchmarks.

RESOLVED that the report be received.

47. INTERNAL AUDIT PLAN 2012-13

The Group Manager Audit and Assurance presented the report which detailed the Internal Audit Plan 2012-123. He advised that the plan had been approved by Gloucester Leadership Team.

In answer to questions, he confirmed that the amount of work planned for Civic Revenues and Benefits was similar to that involved when the service was in-house and the same level of resources would be deployed. He confirmed that detailed audit plans would be prepared for Gloucester City Homes and Aspire Sports and Cultural Trust based on the same number of days as last year.

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RESOLVED that the Internal Audit Plan 2012-13 be approved.

48. INTERNAL AUDIT: MONITORING REPORT MARCH 2012

The Group Manager Audit and Assurance presented the report which detailed audits completed as part of the Revised Internal Audit Plan 2011-12.

He noted that the Audit, Risk Management and Value for Money Officer would devote 60 per cent of her time to audit and 40 per cent to risk management and value for money work.

The Group Manager Financial Services advised that an external resource was examining the issues surrounding the Debtor Control Account. He was confident that all issues would be addressed with the most likely outcome being the appropriate allocation of funds. The work was expected to be completed before the next meeting.

Councillor Noakes noted that there was no indication of trends and she requested that the Guildhall manager should attend the next meeting.

The Group Manager Audit and Assurance confirmed that the problem was not unique. He advised that following the LEAN review compliance had increased to 79 per cent although he acknowledged that in some cases orders had been raised after receipt of invoice and he believed the actual compliance rate to be nearer to 59 per cent.

RESOLVED that

- a) the internal audit work undertaken to date and the assurance given on the adequacy of internal controls operating in the systems audited be endorsed;
- b) the Guildhall Manager be invited to the next meeting.

49. DATE OF NEXT MEETING

Monday, 25th June 2012 at 18.30hrs.

Time of commencement: 18:30 hours

Time of conclusion: 20:15 hours

Chair