



## AUDIT AND GOVERNANCE COMMITTEE

**MEETING** : Monday, 26th November 2012

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

**Others in Attendance**

Councillor Llewellyn, Cabinet Member for Performance and Resources

Ian Pennington, KPMG LLP

Peter Gillett, Corporate Director of Resources

Terry Rodway, Group Manager Audit and Assurance

Kevin Buckerfield, Interim Finance Change Manager

Parvati Diyar, Democratic Services

**APOLOGIES** : Cllr. Gilson  
Sue Mullins, Monitoring Officer and Group Manager Legal and Democratic Services

### 28. DECLARATIONS OF INTEREST

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

Councillor Porter declared a personal interest as a Trustee of Aspire.

### 29. MINUTES OF THE PREVIOUS MEETING AND ACTION SHEET

The minutes of the meeting held on 24<sup>th</sup> September 2012 were approved and signed by the Chair as a correct record.

Matters arising from action sheet

Minute 17 – Combined Heat and Power installation at GL1 (Gloucester Leisure Centre). The Asset Manager was working with Aspire to ensure better configuration.

Minute 17 – Purchase of a software with a modern stock control facility at The Guildhall. Staff at The Guildhall had put forward suggestions to Business Transformation & Technology (BT&T). The Flex System within Leisure and Cultural Services was in need of an upgrade particularly around bar stocks and this had

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been approved by the Gloucester Leadership Team (GLT) and was on the 6 month work programme. A business case was being prepared by the Guildhall Managers.

Councillor Porter enquired whether a request had been made to upgrade the system to play digital films. The Corporate Director of Resources advised this would require a separate business case.

Minute 20 – Risk Management. The Group Manager, Audit and Assurance apologised that he had not emailed Members on the current progress relating to the four outstanding services. Financial Services had been received. Risk registers for Asset Management and Catering were almost complete. The delay had been due to the appointment of new managers.

It was agreed this item should remain on the agenda for an update to be provided at the next Audit and Governance Committee.

Minute 20 – Risk Register. The Group Manager, Audit and Assurance would provide an update at the next meeting.

Minute 21 – Fixed Asset Register. The Interim Finance Change Officer advised that he was currently preparing the capital expenditure budget. Although the Cedar system was an option, the Real Asset Management system provided an option to re-value. A case would be put together to consider which option would be taken forward.

Minute 21 – Internal Meetings. Councillor Llewellyn advised that internal meetings to monitor the audit were in place.

Minute 22 – Internal Complaints. The Corporate Director of Resources had raised this with the Monitoring Officer. It was agreed that an annual report be presented to the Audit and Governance Committee at the end of the municipal year.

Councillor Noakes suggested that the action sheet be amended to show revised deadline dates. It was agreed that this be undertaken.

**30. PUBLIC QUESTION TIME (15 MINUTES)**

There were no questions from members of the public.

**31. PETITIONS AND DEPUTATIONS (15 MINUTES)**

There were no petitions or deputations.

**32. KPMG AUDIT OF ACCOUNTS 2011/12 - UPDATE**

Mr. Pennington updated Members on the current situation regarding the audit of accounts.

He explained that a significant amount of work had been undertaken by the Finance Team and KPMG to finalise the audit of accounts for this meeting. Due to several issues that were still outstanding it had not been possible to present this to the

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Audit and Governance Committee, although the work was approximately 95% complete. Mr. Pennington advised that there were some outstanding issues relating to NNDR income and collection accounts which would require support be given to the debtors and creditors team to resolve, with further audit testing required.

The Corporate Director of Resources had previously spoken to the Chair of the Audit and Governance Committee and they had agreed not to present papers to this meeting but to enable an update to be made by KPMG and to arrange a special meeting in 2013 to consider the audit of accounts when all of the work is complete. The Corporate Director of Resources reminded committee members that, similar to KPMG, he also needed to be assured that the draft accounts represented the most accurate position before he would sign them off. He stated that the current position presented an opportunity to ensure that any historic issues or queries should be identified and corrected whilst the 2011/12 accounts were still 'open' and to ensure the most appropriate and understood base position is agreed for the Council going forward. Whilst time consuming, this was essential to enable future year-end processes and audit arrangements to be more effective than before.

Councillor Wood said he was grateful for the work undertaken by KPMG and also believed that the measures being put in place as described by the Corporate Director of Resources would result in the Council being in a stronger position for the future.

Councillor Porter expressed his disappointment that promises had been made by the Group Manager, Financial Services at previous meetings to ensure improvements were in place but that this had clearly not happened.

The Group Manager, Audit and Assurance stated that he previously reported to the Audit and Governance Committee on internal audit work undertaken within Financial Services, the areas that had resulted in a limited level of assurance being given, and the recommendations that had been made. He had also reported to Members on agreed recommendations that had not been implemented by the agreed date.

Councillor Porter questioned why we were still in this position if the audit processes had picked up these issues. The Group Manager, Audit and Assurance reminded Members that the Committee had previously taken the appropriate action to question the Group Manager, Financial Services on these issues.

Councillor Llewellyn commented that the Cabinet had been presented with regular financial monitoring reports throughout the whole 2011/12 financial year and had received confirmation through regular meetings with the Group Manager, Financial Services that audit processes were in place. She had no reason to believe this was not the case.

The Corporate Director of Resources reported on the staffing issues and actions that had been undertaken to resolve them. He also updated Members on the recruitment process for the vacant Group Manager post.

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The Corporate Director of Resources added that the Council had acted promptly, as acknowledged by KPMG, to address the issues which had arisen and the Interim Finance Change Manager had acted on these and had already introduced new arrangements for monthly and annual processes for closure of accounting periods on monitoring. This included ensuring previous internal audit recommendations were fully implemented wherever possible.

The Interim Finance Change Manager said he had been requested to help the Council to move forward and invited Councillor Porter and any other Members of the Committee to visit the office to look at the arrangements that are being put in place.

The Corporate Director of Resources reported on the progress made following the work undertaken by the Interim Finance Change Manager and the Finance Team working under clear guidelines. Improvements had been made and the roles within the team had changed to ensure consistency and continuity.

Councillor Hobbs said that although things were progressing, it was unacceptable to be in this position and suggested that an informal briefing be arranged with the Chair, Vice Chair and Councillor Wood together with the Corporate Director of Resources to review any outstanding items before the next Audit and Governance Committee.

It was agreed that this would be a positive move forward and that a private closed session with KPMG would also be beneficial in future.

Councillor McLellan suggested Members seek clarification once all the arrangements were concluded, to see how much this was costing the Council. The Corporate Director of Resources and Mr. Pennington both confirmed that it is usual practice for the Committee to be informed of Audit Fees, when finalised.

It was agreed that the Corporate Director of Resources provide updates to the Chair of the Committee on progress. Following the special meeting in the new year, the Interim Finance Change Manager and the Corporate Director of Resources would also provide monthly updates by email to the Audit and Governance Committee on the improvements being put in place.

Members thanked KPMG, the Director of Resources, the Interim Finance Change Manager and the Finance Team for the work and appropriate actions undertaken to ensure the audit processes were in place.

**RESOLVED** that an informal briefing with the relevant parties be arranged to consider the outstanding items and a special meeting of the Audit and Governance Committee be arranged when the accounts and audit work is complete.

**33. REVISED INTERNAL AUDIT PLAN 2012/13**

The Group Manager, Audit and Assurance presented the report which provided Members with reasons for, and the details of, the revised Internal Audit Plan 2012/13.

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Members were aware from the previous Internal Audit Plan Monitoring report that there had been a problem with the completion of the Audit Plan due to staff sickness. This was currently still an issue, albeit now with a different member of staff. In addition, Members were aware from the KPMG report presented at the previous meeting that there had been issues identified within Financial Services.

As a result of the issues identified, a revised Internal Audit Plan 2012/13 had been produced for review and approval by Members. The plan had been produced using a risk based approach.

Regular reports on achievement against the Revised Internal Audit Plan, and any significant control issues identified, would be presented to the Audit and Governance Committee.

It was noted that approval had been given by the Corporate Director of Resources, in his capacity as Section 151 Officer to appoint agency staff to assist with the completion of the Revised Plan.

In response to a question from Councillor McLellan, the Group Manager, Audit and Assurance advised that he was investigating a number of issues relating to disciplinary matters and anonymous letters received by the Council. As a result of this he had not included himself in the calculation of available resources to complete the Plan, hence the need to appoint external resources to carry out the audit work.

The Group Manager, Audit and Assurance advised that there was a potential suitable candidate who would be able to start straight away but he would need to speak to the Interim Finance Change Manager and discuss the best time to commence the audits within Financial Services before an appointment is made.

**RESOLVED** that the Revised Internal Audit Plan 2012/13 be approved.

**34. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - REVIEW OF PROCEDURAL GUIDE**

The Corporate Director of Resources presented a report requesting Members to review and update the procedural guidance on the Regulation of Investigatory Powers Act 2000 (RIPA) in light of the Council's recent Office of Surveillance Commissioners' inspection report and legislative changes to the RIPA process.

It was noted that authority had been delegated by Cabinet to the Group Manager, Legal and Democratic Services in consultation with the relevant Corporate Director to authorise non-Legal Services staff to appear in the Magistrates' Court in connection with applications for judicial approval of RIPA authorisations.

The revisions set out in the draft Procedural Guide and the delegated powers requested were required either to implement the recommendations made by the Office of Surveillance Commissioners' inspection report or to take into account legislative changes effective from 1<sup>st</sup> November 2012.

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The revised procedures would help ensure that the Council used its RIPA powers responsibly and within the legislation and guidance.

The Chair suggested that an annual update of RIPA and the external inspection report was presented to the Audit and Governance Committee each year.

**RESOLVED** that the report and the proposed changes to the Council's RIPA Procedural Guide be noted.

**35. GOVERNANCE ARRANGEMENTS FOR BUSINESS RATES POOLING**

The Corporate Director of Resources presented a report which outlined the final governance arrangements for the operation of the proposed county-wide business rates pool which had been submitted to Central Government for approval.

Members were aware that at the Council meeting on 27<sup>th</sup> September 2012 approval had been given in principle to be part of a Gloucestershire Business Rates Pool, subject to a thorough assessment of risks/rewards and agreement on satisfactory governance arrangements. Delegated authority had been given by Cabinet to the Chief Executive and the Director of Resources, in consultation with the Leader and Deputy Leader to finalise those arrangements.

The Corporate Director of Resources advised that since the meeting, the proposed governance arrangements had been finalised and agreed by each of the six District Councils and the County Council. This sign-off had been made by each Council's Chief Executive and Section 151 Officer. The proposed arrangements had also been endorsed by Leadership Gloucestershire, a forum comprising the Leaders of each of the Councils within Gloucestershire.

In response to a question from Councillor McLellan, the Corporate Director of Resources advised that the Police Authority was not part of the pooling arrangement.

Councillor Hobbs enquired about the annual report. The Corporate Director of Resources said he would build this information into his annual report which would be presented to the Audit and Governance Committee.

**RESOLVED** that the proposed governance arrangements be noted.

**36. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that the press and public be excluded from the meeting during the following items of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of these items there will be disclosure to them of exempt information as defined in paragraph 3 of Section 1001 of the Local Government Act 1972 as amended.

<b>Minute</b>	<b>Description of Exempt Information</b>
37	) Information relating to the financial or business affairs of

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Any particular person (including the authority holding that information).

**37. MINUTES OF THE PREVIOUS MEETING - EXEMPT ITEMS**

The minutes of the meeting held on 24<sup>th</sup> September 2012 were approved and signed by the Chair as a correct record.

**38. DATE OF NEXT MEETING**

Monday, 18<sup>th</sup> March 2013 at 6.30pm

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

**Time of conclusion: 19:50 hours**

**Chair**