



## **AUDIT AND GOVERNANCE COMMITTEE**

**MEETING** : Monday, 17th March 2014

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

### **Others in Attendance**

Councillor Wood, Cabinet Member for Performance and Resources  
Darren Gilbert, KPMG  
Duncan Laird, KPMG  
Peter Gillett, Corporate Director of Resources  
Terry Rodway, Audit, Risk and Assurance Manager  
Sue Mullins, Head of Legal and Policy Development  
Andrew Cummings, Management Accountant  
Richard Webb, Asset Manager  
Ross Cook, Head of Neighbourhood Services  
Parvati Diyar, Democratic Services Officer

**APOLOGIES** : Cllr. Porter  
Jon Topping, Head of Finance

### **88. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **89. MINUTES**

The minutes of the meeting held on 25 November 2013 were confirmed as a correct record and signed by the Chair.

### **90. MINUTES OF SPECIAL AUDIT AND GOVERNANCE COMMITTEE**

The minutes of the special meeting held on 27 January 2014 were confirmed as a correct record and signed by the Chair.

### **91. PUBLIC QUESTION TIME (15 MINUTES)**

There were no questions from members of the public.

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

There were no petitions or deputations.

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

The Committee received the report of the Asset Manager which provided an update following an audit recommendation that the current contract arrangements relating to the Response Repairs Contract be reviewed.

The Asset Manager advised that contract arrangements had been reviewed with the Contractor. The Contractor was keen to keep the contract and had shown a willingness to work with the Council to resolve issues.

It was identified that the Contractor was struggling to cover the costs of the large volume of small or minor works. The Contractor was deploying staff to undertake work with low values (less than £200) and then returning a few days later to the same site or nearby to undertake similar value works and this was not sustainable for the Contractor. It was therefore agreed by both parties that non-urgent low value works would be clustered by timescale and geographical location.

The Asset Manager advised that work had started on agreeing a suitable format for Key Performance Indicators (KPI's). Advice had been taken from Legal Services as to whether a contract amendment would be required to allow works to exceed the 72 hour timeframe.

Regular review meetings would be held with the Contractor to ensure issues are addressed.

The Chair asked whether, if the Contractor was finding it difficult to meet the Council's strict criteria, by giving them increased flexibility, the Council would be at a disadvantage. The Asset Manager said that the Council would continue to benefit from the same rates, which were based upon National Schedule of Rates, less an agreed discount.

The Asset Manager would ensure Officers communicate information following requests from members of the public and Councillors concerning repairs and maintenance works.

Members thanked the Asset Manager for his attendance.

**RESOLVED that the information contained in the report be noted.**

**94. STREETCARE MONITORING SHEET MARCH 2014**

The Committee received the Streetcare Contract Monitoring sheet provided by the Head of Neighbourhood Services relating to the implementation of agreed internal audit recommendations.

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The Head of Neighbourhood Services advised the Committee that considerable progress had been made and a number of recommendations completed. Some recommendations would be completed by the end of this month.

It was noted that item 3 on the monitoring sheet should be amended as the Head of Neighbourhood Services was now the owner of this following the departure of the Environmental Services Manager. It was also noted that a target date had been omitted from item 14 but draft dates had been agreed with the Contractor.

In response to a question from Councillor McLellan, the Head of Neighbourhood Services confirmed that there had been no disputes with the Contractor and positive communication was continuing. Following the overpayments relating to pavilion attendance, credit notes were now on the system.

The Finance Change Manager had agreed to ensure the same methodology and calculation was agreed.

The Head of Neighbourhood Services confirmed that new processes had been introduced and a procedure was in place to monitor the works. The monitoring sheet would be presented to the Strategic Streetcare Partnership Board before any works are signed off.

The Committee recognised the positive work which had been undertaken.

Members thanked the Head of Neighbourhood Services for his attendance.

**RESOLVED that the report be noted.**

**95. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN**

The Corporate Director of Resources presented the updated action plan.

Councillor Llewellyn asked for an update on the Combined Heat and Power installation at GL1.

The Corporate Director of Resources advised that an external consultant had looked at the CHP and believed that the performance could be significantly improved by adjusting the current settings that control the supply and return temperatures. He believed that a trial and error approach would identify optimum settings and this would be a relatively inexpensive exercise.

Aspire's energy consultant had also looked at the CHP and believed the problem could be more complicated. Therefore Aspire and the City Council had jointly instructed an external consultant to attend on site on 26 March 2014 to undertake a survey and produce a recommendation report. The report would identify whether the interaction with plant was satisfactory and what measures would be required to improve efficiency. It was hoped the report would be received by the end of March 2014.

Members were advised that poor performance could be due to a number of factors including how the unit interfaced with other plant and the main boilers. The City

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Council had recently repaired and commissioned the third boiler which had been broken for a number of years. The plant room now provided a better platform for performance testing.

The Corporate Director of Resources agreed to ask the Asset Manager to provide the Committee with an update on progress and a chronology of events.

Councillor Noakes suggested the action plan should be amended as follows:

- Items 17 and 23 relating to the Combined Heat and Power installation at GLT should be rated as red.
- Item 21 relating to the Internal Audit Plan 2012/13 should be rated green.
- Item 69 relating to the Treasury Management Training event should be rated as 'action completed'.

Councillor Noakes asked officers to ensure the action plan was updated before the next Committee meeting.

In relation to the purchase of software with a modern stock control facility at The Guildhall, the Corporate Director of Resources advised that interviews would be held on 11 April 2014 with candidates who would carry out this specific review.

The Audit, Risk and Assurance Manager advised that a member of the Audit team was on the project team set up to implement the new Fixed Asset Register. The Management Accountant advised that work to upgrade to the Financial System was still ongoing and this would be in place for the next financial year.

Councillor Noakes commented that the current status column on the action sheet should have been amended to reflect the updates.

**RESOLVED:**

- 1. That the Asset Manager be requested to provide an update on progress and a chronology of events relating to the Combined Heat and Power Installation at GL1.**
- 2. That the Action Plan be updated with the suggested amendments.**

**96. KPMG CERTIFICATION OF GRANTS AND RETURNS 2012/13**

Darren Gilbert, Director of KPMG introduced Duncan Laird to the Committee.

Mr. Laird presented the report which summarised the certification of grants and returns for 2012/13 undertaken by the Council's external auditors, KPMG.

He advised Members that unqualified certificates had been issued in respect of two grants and returns but qualification was necessary relating to the Housing and Council Tax Benefits Scheme as the Authority had not used the latest version of the Civica Open Revenues System to prepare the grant claim form.

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The Corporate Director of Resources advised that colleagues in Civica had confirmed that new software would be in place.

The Committee noted that the fees had been reduced.

**RESOLVED that the Certification of Grants and Returns 2012/13 be noted.**

**97. EXTERNAL AUDIT PLAN 2013/14**

Darren Gilbert, KPMG presented the External Audit Plan 2013/14 which described how KPMG would deliver their financial statement audit work for the City Council. It also set out KPMG's approach to value for money work for 2013/14.

Mr. Gilbert advised that the interim audit was underway. The initial risk assessment for the financial statements audit had been completed which identified areas that would require particular attention during the audit. In addition KPMG had identified that they would need to focus on subsidiaries and joint ventures, namely Gloucester

City Homes Ltd and Gloucestershire Airport Ltd. The audit of financial statements would be undertaken in the summer.

The VFM audit would focus on three areas with particular attention to contract monitoring, savings plans and budgetary control. The Chair commented that he was pleased this would be reviewed as these areas had been mentioned in the peer review report.

Members were pleased to note that planned fee for the 2013/14 audit illustrated a reduction from that set out in the Audit Fee Letter 2013/14 issued in June 2013. It was recognised that the Council had made positive improvements during the last 18 months.

Mr Gilbert advised that KPMG would present any significant findings arising from the interim work to the Committee in June 2014.

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

**98. BUDGET MONITORING - MONTH 9**

The Committee considered a report by the Corporate Director of Resources which summarised the expected year end position, for the period April 2013 to March 2014, for the Council against budgeted income and expenditure as a result of analysis of the position at the end of December 2013.

The Management Accountant advised that the report had been produced in hybrid format and structured to give Members a summary of the financial position for each of the three directorates, which was then detailed into service areas. The forecast year end variances and outturn position are based upon best estimates at the time of production.

The current year end estimate for the Council as a whole is to be overspent against budgets by £24,000.00.

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The Committee noted the vast improvement which had been made. The report was easy to read and informative. Following one of the findings of the peer review report, the Committee believed it was important to distribute this information to other Members.

The Corporate Director of Resources said he would circulate the information to all Members and advise them that some of the issues raised in the peer review report had been addressed.

In response to a question from Councillor McLellan relating to Marketing Gloucester, the Management Accountant explained that this was a separate organisation and that the City Council had made an additional financial contribution of £28,000.00 than the budget set at the start of the year.

The Management Accountant advised that Financial Services were continuing to work with Service Managers relating to issues around maximising income budget.

**RESOLVED that the report be noted.**

**99. TREASURY MANAGEMENT UPDATE - QUARTER 3 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 which recommends that Members should be updated on treasury management activities at least twice a year, but preferably quarterly. The report covered Quarter 3 from 1 October 2013 to 31 December 2013.

The report highlighted issues specific to the Council and also highlighted the overall economic outlook as provided by the Council's treasury advisors, Capita Asset Services.

The Management Accountant advised that the Council continued to be in line with indicators. Interest rates have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme. Investment performance for the quarter ended on 31 December 2013. No borrowing was undertaken during this period.

The Council's budgeted investment return for 2013/14 was £45,770 and performance for the year to date is in line with the budget. The 25 year PWLB target rate for new long term borrowing for the quarter remained at 4.40%.

The Management Accountant commented that the Council were well within the limits for external debts and were meeting targets. The Council had not undertaken any new borrowing as this was not financially viable at this time. Detailed information had been incorporated in Appendix 3 and 4 of the report.

The Committee found the report helpful and informative and believed the information contained in Appendix 3 was not essential.

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The Corporate Director of Resources confirmed that a Treasury Management Training Event had been arranged to take place before the Audit and Governance Committee on 26 June 2014.

**RESOLVED that the report be noted and that no changes are required to the prudential indicators.**

**100. TREASURY MANAGEMENT STRATEGY 2014/15**

The Committee considered the report of the Corporate Director of Resources which recommended that Full Council formally approve the Treasury Management Strategy, the Prudential Indicators and note the treasury activities.

The Management Accountant advised that the Council continued to move to an under borrowing position. As at 31 March 2013 over-borrowing had reduced to £0.2M and the forecast position at 31 March 2014 was £4.596M under borrowing.

The Management Accountant drew Members' attention to Appendix 1 which set out the Council's capital expenditure for this year and future planned expenditure.

The Committee recognised that the report was technical and thanked the Management Accountant for explaining the content that was easy to undertake. They believed reports should be presented in this manner.

**RESOLVED that the Treasury Management Strategy and the treasury implications of the potential CoCo be noted.**

**101. INTERNAL AUDIT PLAN - 2013/14 MONITORING REPORT**

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

The report included details of the audits completed during the period November 2013 to February 2014. It was anticipated that a target of 90% completion of the Annual Plan would be achieved by the end of the year, subject to no further unplanned work being undertaken.

The Audit, Risk and Assurance Manager referred to the follow up to audit carried out to test that the agreed audit recommendations relating to the Markets audit had been implemented by the agreed date. Details of the Rank 1 'High Priority' recommendations that had not been implemented had been provided in Appendix B. The Audit, Risk and Assurance Manager stated the Asset Management Team was aiming to complete the actions by 31 March 2014.

The Committee noted that most of the audits completed as detailed in Appendix A had received a split level of assurance.

In response to a question from the Chair regarding the Social Media Policy audit, the Audit, Risk and Assurance Manager explained that there could be a reputational risk to the Council through the misuse of social media. He commented that

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passwords had not been changed for a number of years and therefore members of staff who had left the Authority could still have access to the Council's social media accounts.

The Committee was advised that the audit recommendation relating to the BT&T Business Continuity Plan concerning the lack of emergency arrangements was being addressed. Servers had been installed in North Warehouse which replicated those in HKP Warehouse. Councillor Llewellyn commented on the close proximity. The Corporate Director of Resources advised that he was looking at three further potential locations.

In relation to the procurement audit, the Head of Legal and Policy Development advised that the Contract Procedure Rules would need to be amended within the Council's Constitution. Given that the EU Procurement Rules was anticipated to come into effect in 2014/15, it was proposed to make these changes at the same time.

**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.**

**102. INTERNAL AUDIT PLAN 2014/15**

The Audit, Risk and Assurance Manager presented the Internal Audit Plan 2014/15 and referred to Appendix A which detailed audits planned for next year. He advised that these had been discussed and agreed with the Senior Management Team (SMT).

In response to a question from the Chair, the Audit, Risk and Assurance Manager advised that the Returning Officer had requested that an audit be undertaken to review all claims relating to Elections.

Councillor McLellan queried why it would take 10 days to review Members Expenses. The Audit, Risk and Assurance Manager advised that this was an estimate and that the number would be reviewed when the scope of audit is agreed.

**RESOLVED that the Internal Audit Plan 2014/15 as detailed in Appendix A be approved.**

**103. UPDATE ON PEER REVIEW**

The Corporate Director of Resources said the Chief Executive had apologised that he was unable to attend the meeting.

He referred to the report undertaken by the Peer Review Team. The report did not have an action plan but a comprehensible approach had been undertaken with clear recommendations for the Council to follow.

The Corporate Director of Resources advised that the Council would need to establish an action plan to develop and any updates would be presented to this



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Committee. He added that some of the recommendations mentioned earlier in the meeting had been implemented.

**RESOLVED** that the report be noted.

**104. REVIEW OF TERMS OF REFERENCE FOR THE AUDIT AND GOVERNANCE COMMITTEE**

The Committee considered the report of the Head of Legal and Policy Development relating to the updated Terms of Reference for the Committee for adoption by the Council.

Following the Committee meeting on 25 November 2013, a Working Group was set up to consider the Terms of Reference for the Committee. The Working Group met on 6 March 2014 and considered the table shown at Appendix 1, which included the CIPFA suggested Terms of Reference. The Working Group had recommended that the suggested Terms of Reference shown at Appendix 2 be recommended for adoption.

The Head of Legal and Policy Development pointed out that the CIPFA guidance did not suggest Terms of Reference in relation to the Committee's standards responsibilities.

**RESOLVED TO RECOMMEND to the Constitutional and Electoral Working Group and Council that the Terms of Reference at Appendix 2 be approved.**

**105. REVIEW OF FREQUENCY OF AUDIT AND GOVERNANCE COMMITTEE MEETINGS**

The Committee considered the report of the Audit, Risk and Assurance Manager relating to the frequency of Audit and Governance Committee meetings and to make recommendations on meeting frequency for adoption by the Council.

At its meeting on 6 March 2014, the Working Group considered the frequency of committee meetings and the list of standard and regular reports presented to Committee, as detailed in Appendix 1 of this report. The Working Group had requested a revised format as detailed in Appendix 2 of this report, which was being recommended for adoption.

In order to balance items on each agenda, it was proposed to move the December meeting to November and hold an additional meeting in January 2015.

The Vice Chair raised concerns that training requirements had not been taken into account. Some training was more thorough and it is not always practical for it to be arranged before a Committee meeting. Some Members also found it difficult to attend a Committee meeting earlier. The Vice Chair believed that dedicated days should be allocated for training, which could also be opened to all Members.

The Head of Legal and Policy Development advised that a Member Development Programme was to be presented to the Constitutional and Electoral Working Group which would identify training dates.

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**RESOLVED TO RECOMMEND to Constitutional and Electoral Working Group and Council that the frequency of meetings for the Audit and Governance Committee at Appendix 2 be approved.**

**106. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

Members considered the proposed work programme for the Audit and Governance Committee.

The Vice Chair commented that item 15, the Annual Report of the Audit Committee, was not presented to Committee last year.

The Audit, Risk and Assurance Manager advised that it was good practice to present a report and would be guided by the Committee. Members agreed a report should be presented to the next meeting.

**RESOLVED that the Work Programme be noted.**

**107. DATE OF NEXT MEETING**

Thursday, 26 June 2014 at 6.45pm.

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

**Chair**