



## **AUDIT AND GOVERNANCE COMMITTEE**

**MEETING** : Wednesday, 1st July 2015

**PRESENT** : Cllrs. Llewellyn (Chair), McLellan, Taylor, Patel and Hampson

**Others in Attendance**

Terry Rodway, Audit, Risk and Assurance Manager

Jon Topping, Head of Finance

Sadie Neal, Head of Business Improvement

Mark Foyn, Asset Manager

Sarah Tilling, Senior Client Officer

**APOLOGIES** : Cllrs. Gravells and Hobbs

**1. APPOINTMENT OF CHAIR AND VICE-CHAIR**

The appointments of Councillor Llewellyn as Chair and Councillor Gravells as Vice Chair were noted.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3. MINUTES**

The minutes of the meeting held on 16 March 2015 were approved and signed by the Chair as a correct record.

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

There were no questions from members of the public.

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

There were no petitions or deputations.

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

The Committee considered the action plan.

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Members of the Committee asked for an update on Minute No. 17 Purchase of software with a modern stock control facility at The Guildhall.

The Head of Finance advised the Committee that the Finance Department and other services were being consulted on the new system at The Guildhall.

Members of the Committee questioned whether the item should still be rated green on the action plan.

The Chair suggested that the rating for the item should be raised to Amber and that a new target date should be included on the action plan.

**RESOLVED that the action plan be updated with the suggested amendments.**

**7. POSITION STATEMENT ON STATEMENT OF ACCOUNTS**

The Head of Finance informed the Committee that the Statement of Accounts had been signed on 30<sup>th</sup> June. He advised the Committee that the Council's auditors would be onsite for 2-4 weeks from the 20<sup>th</sup> July.

It was noted that following their visit, the Council's auditors would issue an ISA 260 report which would be presented to the Committee at the meeting in September.

**RESOLVED that the update be noted.**

**8. COMBINED HEAT AND POWER INSTALLATION AT GL1**

The Committee considered an update from the Asset Manager on the combined heat and power installation at GL1.

The Asset Manager advised the Committee that the installation had made savings of £445,000 many times more than the initial installation cost of £175,000. He informed the Committee that GL1 now buys 57% less electricity from the grid per annum than before the CHP was fitted. The Committee also noted that the installation was saving 750 tonnes of carbon per annum.

The Asset Manager advised the Committee that the system at GL1 had now been optimised and since last April the gas used to generate the electricity and heat had dropped from 37% to 16% higher than the baseline year while the electricity generated had remained constant.

In response to a question from Councillor McLellan, the Asset Manager advised the Committee that the savings quoted had been adjusted to reflect the unit cost of the utilities for each year in question.

**RESOLVED that the update be noted and that the item be removed from the action plan.**

**9. IT PERFORMANCE REPORT**

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The Head of Finance advised the Committee that a Council IT- Lessons Learned report would be presented at a future meeting.

The Head of Business Improvement advised the Committee that the Council had invested in new systems to reduce the risk of disruption to the Council's IT. She informed the Committee that they had replaced the call switches and were planning to move from Windows XP to Windows 7.

The Committee noted that an action plan had been received following an IT health check.

Councillor Patel queried the cost of investing in new systems. He was advised by the Head of Finance that £200,000 per annum had been allocated for investment in new systems.

Councillor Hampson queried whether any changes had been made to the Council's battery pack system. He was advised by the Head of Business Improvement that the batteries had been replaced and that the main servers should not switch off during a power cut.

**RESOLVED that the update be noted.**

**10. INTERNAL AUDIT PLAN MONITORING REPORT- BENEFITS UPDATE**

The Committee received an update from the Senior Client Officer on the benefits error rate.

The Senior Client Officer advised the Committee that the Civica team were working to mitigate the number of benefits errors. She informed the Committee that they had now put in place a joint client service with the Forest of Dean District Council which has increased the number of Quality Assurance Officers to two.

The Senior Client Officer advised the Committee that the error rate for May had been 11.72%. This was compared to an error rate of 9% at the Forest of Dean District Council and an error rate of around 10% at other Councils.

The Chair questioned whether a follow up audit of Benefits would be completed. The Audit, Risk and Assurance Manager stated that he would advise her when this was due to be completed.

Councillor McLellan expressed concern that the error rate was still high and questioned what percentage rate of errors would be considered reasonable.

The Senior Client Officer agreed that the error rate could be improved and advised the Committee that the right processes were now in place to move forward.

Councillor McLellan stated that it would be useful to see the error rate for previous years. The Audit, Risk and Assurance Manager advised the Committee that he would look at the error rate for previous years and provide the information to Members.

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Councillor Hampson questioned the costs involved in resolving the errors. He was advised by the Head of Finance that there was a threshold for the error rate and that they were within expected tolerance.

Members of the Committee requested a further update on the error rate at the next Committee meeting.

**RESOLVED that the update be noted and that a further update be added to the work programme for the September meeting.**

**11. PEER REVIEW ACTION PLAN QUARTERLY UPDATE**

The Committee received the report of the Head of Business Improvement updating Members on the Peer Review.

The Head of Business Improvement reminded the Committee of the Peer Challenge that took place in December 2013. The Committee noted that following the Peer Review an action plan had been produced detailing areas for improvement. The Head of Business Improvement advised the Committee that officers had been working with various colleagues since December 2013 to address the issues raised in the action plan.

The Committee noted that the Peer Review team would be returning later in the year.

Councillor McLellan advised the Committee that some members of his party had not been consulted on the Peer Review. He also questioned whether some of the points included in the action plan should be marked as completed if there was still ongoing action.

The Head of Business Improvement agreed to change the RAG status of the points within the action plan that contained ongoing action.

**RESOLVED that, subject to the suggested amendments, the report and action plan be noted.**

**12. ANNUAL COMPLAINTS MONITORING REPORT**

The Committee considered the report of the Monitoring Officer detailing complaints and compliments received by the Council between April 2014 and March 2015.

The Audit, Risk and Assurance Manager summarised the report and referred to the analysis of complaints received, as detailed in Appendix 2 of the report.

The Committee noted that the report contained details of actions on complaints that had led to a change in Council policy as requested by the Committee in the action plan.

The Audit, Risk and Assurance Manager advised the Committee that the Council's Complaints Policy would be reviewed during the following year instead of during the current year as suggested in the report.

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Councillor McLellan questioned whether the explanations given for the increase in complaints relating to Amey were accurate. He advised the Committee that the Christmas collection schedule had not changed during the previous year but the year prior to that.

Members of the Committee requested further analysis of the Amey complaints and clarification as to the cause of the increase in complaints.

The Audit, Risk and Assurance Manager agreed to contact Members of the Committee to provide them with further details of the complaints relating to Amey.

**RESOLVED that the report be noted.**

**13. LOCAL GOVERNMENT OMBUDSMAN DECISIONS**

The Committee considered the report of the Monitoring Officer detailing two recent Ombudsman investigations.

The Audit, Risk and Assurance Manager summarised the report and invited Members to provide comments.

Councillor McLellan referred to one of the Ombudsman's investigations and expressed concern that there were still issues with the systems used by the City and County Council in assessing and arranging grant- aided works. He advised the Committee that the report substantiated similar concerns that had been raised in the past.

The Audit, Risk and Assurance Manager agreed to update Members on whether any lessons had been learnt following the investigation.

The Chair referred to the report and noted that the Council would be required to notify the Ombudsman of any action taken within three months of the publication of the report. The Chair questioned the Council's current position regarding this requirement.

The Audit, Risk and Assurance Manager advised the Committee that he would provide them with details of the Council's response to the Ombudsman.

**RESOLVED that the report be noted.**

**14. AUDIT, RISK & ASSURANCE MANAGER'S ANNUAL REPORT 2014/15**

The Committee received the report of the Audit, Risk and Assurance Manager detailing the Internal Audit work, compliance with Financial Regulations, Contract Standing Orders, and general probity issues for the financial year ending 31<sup>st</sup> March 2015.

The Audit, Risk and Assurance Manager advised the Committee that his overall opinion was that a satisfactory level of assurance could be given that there is a generally sound system of internal control.

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The Audit, Risk and Assurance Manager advised the Committee that he had not received any completed survey forms which had been issued to auditees following the completion of an audit. He informed the Committee that he would be raising the issue with SMT and also would be looking to produce an electronic version of the questionnaire which would be more convenient to complete and would hopefully increase the response rate.

**RESOLVED that Members endorse the assurance from the Audit, Risk and Assurance Manager that a satisfactory level of assurance can be given that there is a generally sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.**

**15. INTERNAL AUDIT PLAN 2014/15 - FINAL MONITORING REPORT**

The Committee considered the report of the Audit, Risk and Assurance Manager detailing the remaining audits completed as part of the revised 2014/15 Internal Audit Plan.

The Audit, Risk and Assurance Manager summarised the report and advised the Members of the Committee that the details of the audits completed, together with the resultant audit opinion on the level of assurance, were detailed in Appendix A to the report.

Councillor Taylor asked for further details on the Rank 1 recommendation detailed in the audit of Payroll. He was advised by the Audit, Risk and Assurance Manager that this related to ensuring relevant new starter documentation had been obtained and retained for reference.

In response to a question from Councillor Taylor, the Audit, Risk and Assurance Manager advised Members of the Committee that future reports to Committee would include the management agreed dates for the implementation of audit recommendations.

**RESOLVED that Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.**

**16. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT (2014-15)**

The Committee considered the report of the Head of Finance detailing the outcomes of the review of the effectiveness of Internal Audit.

The Head of Finance highlighted the key points within the report and invited comments from the Members of the Committee.

Councillor McLellan requested an update on the staffing levels within the Audit team. The Audit, Risk and Assurance Manager advised the Committee that previous attempts to recruit to vacant positions had been unsuccessful as there had

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been no suitable candidates. He also informed the Committee that there was one full time vacant position in Gloucester and a part time position vacant in Stroud.

Councillor McLellan questioned whether the 90% completion target related to the revised or original audit plan. He was advised by the Audit, Risk and Assurance Manager that this target related to the revised audit plan.

Councillor Hampson queried the Person Specification for the vacant positions.

**RESOLVED that the review process be approved and the outcome of the review of the effectiveness of Internal Audit be noted.**

**17. ANNUAL GOVERNANCE STATEMENT 2014/15**

The Committee considered the report of the Head of Finance detailing the Annual Governance Statement.

The Head of Finance highlighted the key points within the report and the attached Annual Governance Statement.

**RESOLVED that the Annual Governance Statement for 2014-15 be approved.**

**18. TREASURY MANAGEMENT QUARTER 4 REPORT 2014/15**

The Committee considered the report of the Head of Finance detailing treasury management activities for Quarter 4: 1 December 2014 to 31 March 2015.

The Head of Finance advised the Committee that during the quarter no long term borrowing or debt rescheduling had been undertaken.

Members of the Committee noted that during the quarter the Council moved from an under- borrowing position to an over- borrowing position.

**RESOLVED that the report be noted.**

**19. AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2014/15**

The Committee considered the Audit & Governance Committee's Annual Report 2014/15 from the Audit, Risk and Assurance Manager.

**RESOLVED that the report be noted and recommended to Council for approval.**

**20. KPMG UPDATE**

The Committee considered a written update from the Council's external auditors, KPMG.

**RESOLVED that the update be noted.**

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

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The Committee considered the work programme.

The Committee noted that a further update on the benefits error rate would be added to work programme for the meeting in September.

The Committee requested the Council IT- Lessons Learned report be added to the work programme for the meeting in November.

The Chair requested additional Committee meeting dates be added to the work programme.

**RESOLVED that, subject to the agreed amendments, the work programme be noted.**

**22. DATE OF NEXT MEETING**

Monday, 21 September 2015 at 6:30pm

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

**Time of conclusion: 20:20 hours**

**Chair**