



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 16th March 2015

PRESENT : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), Llewellyn, Noakes, Haigh and Taylor

Others in Attendance

Duncan Laird, KPMG LLP

Darren Gilbert, KPMG LLP

Andrew Cummings, Management Accountant

Terry Rodway, Audit, Risk and Assurance Manager

APOLOGIES : Cllrs. McLellan
Sue Mullins, Head of Legal and Policy Development
Jon Topping, Head of Finance
Stephanie Payne, Audit, Risk Management and Value for Money Officer

68. DECLARATIONS OF INTEREST

There were no declarations of interest.

69. MINUTES

The minutes of the meeting held on 19 January 2015 were approved and signed by the Chair as a correct record.

70. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

71. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

72. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the Audit and Governance Committee Action Plan.

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The Chair noted that actions on the Combined Heat and Power Installation at GL1 and The Guildhall would be reported upon at the June meeting.

Councillor Noakes made reference to items 6 and 60 on the Action Plan and suggested that ongoing items should not be opened and closed each time they were added to the Action Plan. She questioned whether it was possible to capture the action once on the Committee's Action Plan.

The Audit, Risk and Assurance Manager informed the Committee that an action had been opened and closed to show that it had been completed, however he advised the Committee that he would take on board their comments.

Councillor Haigh suggested the Action Plan should include the date an action was raised as an alternative to opening and closing actions. The Audit, Risk and Assurance Manager confirmed that the 'Actions arising from meeting held on' comment in the Action Plan indicated the date an action was raised.

RESOLVED that the Action Plan be noted.

73. KPMG EXTERNAL AUDIT PLAN / ANNUAL AUDIT FEE

The Committee received a report from Darren Gilbert of KPMG concerning the External Audit Plan and Annual Audit Fee.

Mr Gilbert highlighted the Council's housing stock transfer and acknowledged that this was a significant transaction. He also advised the Committee that KPMG had completed an initial risk assessment for the value for money conclusion and had identified the achievement of the savings plan as a significant risk.

The Committee were informed by Mr Gilbert that the planned fee for the 2014/15 audit would be £84,600.

RESOLVED that the report be noted.

74. INTERNAL AUDIT PLAN- MONITORING REPORT

The Committee received the report of the Audit, Risk and Assurance Manager outlining the audits completed as part of the original and revised Internal Audit Plan 2014/15. He advised the Committee that Appendix A detailed the work undertaken by the Audit team.

The Audit, Risk and Assurance Manager informed the Committee that a number of audits had resulted in a split level of assurance, with the Guildhall and Benefits audits both receiving a partial limited level of assurance.

The Chair enquired about the Guildhall issues and questioned whether the VAT issue was due to an outdated rate being used. In response, the Audit, Risk and Assurance Manager informed the Committee that an incorrect code had been used to calculate VAT on the spreadsheet used for calculating charges for events hosted by the Guildhall. He advised the Committee that this meant VAT had been calculated at 25%.

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The Chair questioned whether a declaration would need to be made to HM Revenue and Customs. He was advised by the Audit, Risk and Assurance Manager that it would be necessary to check the level of VAT error before this could be determined.

Councillor Hobbs made reference to the Benefits audit and stated that it would be useful to have more details on the number of inaccuracies that had been identified. The Audit, Risk and Assurance Manager advised the Committee that for the period April to December 2014 the Client Team had identified an average error rate of 35%. The group noted that of this 35%, 16% had been identified as financial errors and 19% as non- financial errors.

Councillor Hobbs questioned how these errors were being addressed with Civica and questioned whether this issue would be reviewed to check that the error rate was decreasing. He was advised by the Audit, Risk and Assurance Manager that a follow up audit would be completed to check that the backlog of errors had been cleared.

Councillor Haigh expressed concern that 35% of claims were incorrect and questioned the effect this would have on claimants if they were overpaid or underpaid.

The Audit, Risk and Assurance Manager advised the Committee that the levels of checks carried out by the Client Team were in line with recommendations from the Department of Work and Pensions. He also informed the Committee that the Client Team had agreed with Civica an action plan on the matter.

The Chair questioned whether a similar audit had been included in the Audit Plan 2015/16. He was advised by the Audit, Risk and Assurance Manager that 25 days had been allocated in the 2015/16 Audit Plan to complete an audit of the Benefits System.

Councillor Taylor asked for an example of a non- financial error. He was advised by the Audit, Risk and Assurance Manager that these included errors in a claimant's personal details such as their date of birth.

Members of the Committee requested that they receive a report from the Client Team at the meeting in June to update the Committee on the error rate.

RESOLVED

- (1) That Members receive an update on the Benefits error rate at the Committee's meeting in June.
- (2) That Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

75. INTERNAL AUDIT ANNUAL PLAN

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The Committee considered a report of the Audit, Risk and Assurance Manager outlining the proposed Internal Audit Plan for 2015/16.

The Audit, Risk and Assurance Manager made reference to paragraph 4 and advised the Committee that the Audit Plan followed risk- based principles.

The Committee were informed by the Audit, Risk and Assurance Manager that in preparing the Audit Plan it had been necessary to consider the available resources. The Group noted that as detailed in Appendix A, the Audit Plan included a total of 515 days.

The Chair proposed that Marketing Gloucester be added to the Audit Plan as it is good practice to include a partnership organisation.

The Audit, Risk and Assurance Manager agreed to add Marketing Gloucester to the Audit Plan and advised the Committee that the work would be completed using some of the days that had been reserved as a contingency.

RESOLVED that subject to the addition of Marketing Gloucester, Members approve the Internal Audit Plan 2015/16 as detailed in **Appendix A**.

76. REVIEW OF ANTI- FRAUD AND CORRUPTION POLICIES

The Committee considered a report of the Audit, Risk and Assurance Manager detailing proposed revisions to the Council's Anti- Fraud and Corruption policies.

The Audit, Risk and Assurance Manager made reference to paragraph 4 which identified the main changes to the policies. He informed the Committee that as of 1st April housing benefit fraud cases would be investigated by the Single Fraud Investigation Service (SFIS) and that the Whistleblowing Policy required amendment due to whistleblowers now being required to have a reasonable belief that any disclosures made are in the 'public interest'. The other main reason for change related to changes in job titles.

The Chair questioned what the requirements of the Council's existing Whistleblowing policy were before the proposed revisions. In response, the Audit, Risk and Assurance Manager informed the Committee that prior to the proposed revisions any disclosure made had to be made in good faith.

RESOLVED TO RECOMMEND TO COUNCIL, that the policies and plan in Appendices A to E of the report be approved.

77. TREASURY MANAGEMENT STRATEGY

The Committee considered a report of the Head of Finance outlining the Treasury Management Strategy.

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The Management Accountant informed the Committee that the Council was experiencing fundamental change due to the transfer of stock to Gloucester City Homes.

The Management Accountant advised the Committee that the Council would be moving from an under to an over borrowed position. He also informed the Committee that approval had been received to borrow £20 million more than needed.

The Management Accountant made reference to Appendix 1 and informed the Committee of the key points of the Council's Treasury Management Strategy for 2015/16.

The Chair thanked the Management Accountant for updating the Committee and stated that his update had addressed the potential concerns that members of the Committee may have had.

RESOLVED that the Treasury Management Strategy 2015/16 be approved.

78. TREASURY MANAGEMENT QUARTER 3 REPORT

The Committee received the report of the Head of Finance outlining the Council's performance in Quarter 3.

The Management Accountant made reference to Section 3.2 of the report and advised the Committee that the average level of funds available for investment during the quarter was £7 million.

The Committee noted that during Quarter 3 the Council had operated within the treasury prudential indicators set out in the Council's Treasury Management Strategy.

The Management Accountant advised the Committee that Appendices 1 and 2 detailed the investments the Council holds and a quarterly report from the Council's treasury advisor, Capita Asset Services.

RESOLVED that the report be noted.

79. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the Audit and Governance Work Programme.

The Chair noted that the Committee would receive an IT Performance Report at the next meeting in June.

RESOLVED that the Work Programme be noted.

80. STRATEGIC RISK REGISTER

The Committee received a report of the Audit, Risk Management and Value for Money Officer detailing the Strategic Risk Register.

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The Audit, Risk and Assurance Manager reminded the Committee that the Risk Management Strategy was approved at the last meeting on 19 January 2015. He informed the Committee that Appendix 1 included the current version of the Strategic Risk Register that had been approved by Senior Management Team (SMT). The Committee noted that the register was reviewed by SMT on a monthly basis and that it was due to be reviewed by SMT again during the following week. Members of the Committee were encouraged to comment on any other risks they believed should be included within the register.

In response to a question from the Chair, the Audit, Risk and Assurance Manager informed the Committee why it had been necessary to classify some risks as exempt.

Councillor Haigh made reference to Risk 9 in Appendix 1 and questioned what additional mitigations were in place to deal with unexpected events. The Audit, Risk and Assurance Manager advised the Committee that he would provide members with a response.

RESOLVED that the Strategic Risk Register be noted and endorsed.

81. DATE OF NEXT MEETING

Monday, 22 June 2015 at 6:30pm.

Time of commencement: 18:30 hours

Time of conclusion: 19:40 hours

Chair