

## Public Version

## Completed Internal Audit Activity during January and February 2017

## Follow-up internal audit findings – Marketing Gloucester Ltd

## Service Area: Leisure and Culture

## Audit Activity: Marketing Gloucester Ltd (follow-up)

## Background

Marketing Gloucester Ltd (MGL) was established in 2008 as an independent organisation with the primary purpose of representing, supporting and advising business and public leaders on economic and regeneration growth, leisure and tourism and promotion of them in the City of Gloucester.

In 2016/17, the Council currently funds and has expenditure with MGL in the form of:

Type of support	£
Annual grant	175,000
Grant contribution for staff	60,000
City and Civic Events Budget	160,000
Seconded staff budget	69,000
	<b>464,000</b>

An audit review was undertaken as part of the 2015/16 Internal Audit work-plan. On the basis of the work carried out at that time the auditors concluded that the control environment provided an Unsatisfactory Assurance Level that the risks considered to be material to the achievement of the objectives for this arrangement were being adequately managed and controlled.

## Scope

A summary of the 2015/16 key findings, recommendations and agreed management actions was reported to the Audit and Governance Committee on 19th September 2016. At this meeting, members requested Internal Audit to undertake a follow-up review to evaluate the progress made by management in implementing the following actions:

- 1) The Council should ensure that all Council spend with Marketing Gloucester (grant funding and service expenditure) is supported by an up to date and complete legally binding agreement(s) that is in line with current Council policies. The agreement(s) should confirm the rationale and purpose of the expenditure; the nature of the services to be provided by the Company; payments to be made within specified financial years; clear performance objectives and targets; and other rights and obligations applicable to both parties. Criteria confirming actions required where the Company does not fully utilise Council funding should also be considered – e.g. if individual Council event budgets are not fully spent/make a surplus or if the annual grants are not fully spent within the allocated financial year.

- 2) Subject to confirmation as to the legal impact, loans issued to Marketing Gloucester (historic and current) should be reviewed and formal agreements documented to confirm the purpose of the loan and the terms for repayment.
- 3) Performance review against the Funding and Management Agreement ((FMA) and other relevant agreement(s)) should be formally allocated to a responsible officer and group (e.g. the Performance Review Meeting) to ensure that compliance is achieved and that areas of non-compliance (Council or Company) are identified and remediation action taken where necessary.
- 4) The Council / Company performance review group should support the strengthening of financial controls at Marketing Gloucester – e.g. documentation and delivery of core financial procedures and controls; receipt and retention of quotes; and full implementation of external audit control observations. The group should receive and review the Company audited accounts (including letter of comment), in line with the requirements of the FMA para 11.5.
- 5) Terms of reference should be defined and agreed for the Council/Company performance review group, confirming the group’s objectives or decision making powers. The Council should consider whether the group’s role is included within the updated agreement(s) with the Company and ensure that the group’s title is in line with updated agreement(s) requirements (i.e. does not contradict agreement paragraphs).

**Risk Assurance – N/A**

**Control Assurance – N/A**

**Key findings**

**Transparency around arrangements and funding (Recommendations 1 and 2)**

- Working with One Legal the following documents have been prepared to provide for clarity and transparency around the resources that will be directed to MGL.

Type of Document	Purpose
<b>Memorandum and Articles of Association</b> of the Company (limited by Guarantee and not having a share capital).	To align the objects of the company to its expected activities. Confirms Gloucester City Council is the sole member.
<b>Members Agreement between:</b> (1) The Council of the City of Gloucester; and (2) Marketing Gloucester Limited.	To formalise MGL long term liabilities (i.e. £97k loan from the Council) and repayment criteria.

<p><b>Agreement between:</b>          (1) The Council of the City of Gloucester;          and          (2) Marketing Gloucester Limited.</p>	<p>To deliver:          (1) The core services as per the Memorandum &amp; Articles;          (2) Annual City Events programme; and          (3) Annual Civic Events programme.</p> <p>Note: This three year agreement will also clarify the annual charges for 2016/17 to 2018/19 and include a phased reduction in funding from £464,000 to £269,000. It will also introduce a formal performance monitoring and reporting regime.</p>
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The above documents are currently with MGL for review and agreement.

**Strengthening Corporate Oversight (Recommendations 3, 4 and 5)**

- The Corporate Director will be responsible for overseeing the Council’s arrangements and assessing the performance of MGL.
- The revised documentation will introduce a formal performance reporting and monitoring regime between the Council and MGL.
- Meetings of the Partnership Performance and Review Group have continued with the last meeting held on 6th January 2017. The meetings are attended by the Cabinet Member for Culture and Leisure, the Corporate Director, and the Chief Executive of MGL.

**Conclusions**

The findings from the follow-up review confirm that the Corporate Director (as lead officer) has a clear strategy to regularise the Council’s relationship with MGL and to further strengthen the governance arrangements (including performance and financial monitoring). Actions are in progress at the point of audit follow-up review.

Subject to this being subsequently completed within a reasonable timeframe, Internal Audit would then be in a position to confirm that the key management actions arising from the 2015/16 review have been completed.

**Management Actions**

In line with request from Audit and Governance Committee, a Value for Money review of the Council’s arrangements with Marketing Gloucester Ltd is included within the proposed Risk Based Internal Audit Plan 2017/18.