

## Audit Committee

Wednesday, 17th June, 2015  
6.00 - 8.10 pm

Attendees	
<b>Councillors:</b>	Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, David Prince and Pat Thornton
<b>Also in attendance:</b>	Andy Barge, Tracy Brown (Partnerships Team Leader), Sarah Didcote (GOSS), Rob Milford (Head of Audit Cotswolds), Jackson Murray (Grant Thornton), Andrew North (Chief Executive), Bryan Parsons (Governance, Risk and Compliance Officer), Giles Rothwell and Mark Sheldon (Director Resources)

### Minutes

**1. APOLOGIES**

Councillor Murch had given his apologies.

**2. DECLARATIONS OF INTEREST**

No interests were declared.

**3. MINUTES OF THE LAST MEETING**

The minutes of the last meeting had been circulated with the agenda.

Upon a vote it was unanimously

**RESOLVED that the minutes of the meeting held on the 25 March 2015 be agreed and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

No public questions had been received.

**5. SECTION 151 OFFICER INTERIM ARRANGEMENTS**

The Chief Executive introduced the report as circulated with the agenda. He explained how the role of the Director of Corporate Resources had evolved over the years to require an increasing involvement in strategic issues. Essentially, to be able to deliver on key corporate projects, the current post holder needed to release some strategic capacity. Given that the role of the Section 151 Officer was likely to be considered as part of the 2020 vision partnership, with potential for different arrangements, it was being proposed that with Council agreement, the Deputy Section 151 Officer, be seconded into the role for a period of up to 18 months. This solution had been suggested by the Director of Resources and was fully supported by the Chief Executive, who felt that the current Deputy Section 151 Officer was an ideal candidate, for whom this would be an excellent opportunity.

The Deputy 151 Officer currently worked as the 151 Officer for the Forest of Dean and rather than this creating problems, would in fact increase efficiencies. It was noted that the Director of Resources would continue involvement in some financial matters, but at a corporate management level rather than Section 151 Officer level and likely maintain a watching brief over business rates.

In response to a member question the Chief Executive advised the committee that the Section 151 Officer would continue to divide his time between Cheltenham and the Forest of Dean and suggested that there would be a certain amount of flexibility on this and days on which he would be expected to be available (to attend SLT or Exec Board meetings). As was already the case, calls could be transferred to the Forest of Dean or a mobile phone and there would be a Deputy Section 151 Officer available if required. As with all officers who formed part of a shared arrangement, new approaches needed to be adopted in relation to contacting them by phone, email or in person.

Upon a vote it was unanimously

**RESOLVED that Council be recommended to designate the Deputy Section 151 Officer, in an interim seconded capacity for 18 months, to the role of Section 151 Officer.**

#### **6. SECTION 11 SAFEGUARDING RESPONSIBILITIES**

The Partnerships Team Leader introduced the report as circulated with the agenda. She explained that under Section 11 of the Children Act, Cheltenham Borough Council had a duty to co-operate to safeguard children. The report set out these duties and how they were being implemented at the council. It also highlighted the process for checking compliance adopted by the local Safeguarding Board. The committee were advised that since the report had been produced the annual conversation with the Chairman of the Safeguarding Board had taken place. This conversation allowed the council to raise concerns and in turn, for him to discuss any concerns he might have. She was pleased to report that he had been comfortable with how CBC fulfilled its responsibilities and felt sure that any concerns were being raised with the Board.

Gloucestershire County Council had approached the council about holding a seminar on sexual exploitation and this was likely to be arranged for some time in the Autumn. Cheltenham Safeguarding awareness weeks, from 21 September to 02 October would include campaigns to raise awareness and briefings and training sessions to which members would be welcome. It was important to note that safeguarding was changing all the time and new learning was regularly resulting in organisations such as the council, refining what they do. The Section 11 process started with a self-assessment which was referenced at 4.1 of the report and was usually due in late December. This would be followed by check and challenge, an action plan and monitoring of progress. The committee were being asked to consider whether they wished to be involved in the Section 11 process and if so, how.

The following responses were given to member questions and comments;

- The editorial issues in the document (Appendix 1) would be addressed.
- The Positive Lives Partnership regularly discussed levels of children in need and had queried the current figures as they were the lowest in the county despite us having more children than other districts.

- There was a system by which the council could challenge decisions on the level of need given by another agency if it did not agree. A recent challenge had resulted in the level having been escalated which demonstrated that the system was working. She suggested that the issue was turnover of staff and the need to ensure that all agencies were using the same 'language'.
- Safeguarding training had been arranged earlier in the year, at the request of this committee, but only 2 members had attended the morning session and 1 the evening session. Despite there being no legal requirement for the council to organise safeguarding training for members, Further sessions could be arranged but there would be a cost involved and there would be an expectation that members would attend. It would not be possible to detail specific issues within a ward.
- Most recent figures from the last quarter show that there were 35 child protection plans for Cheltenham, these related to individuals and therefore it was possible that some could be from the same family. She would have expected the figure to have been closer to 60-80 and this disparity was currently being investigated by the Partnership.
- Members were reminded that they had a legal obligation to report any concerns.
- It was possible that some elected members had undertaken safeguarding training as part of their role as School Governors.
- There were two separate Boards, one for children and one for adults. It is likely that the Adults Board would be undertaking some form of Section 11 type audit but the process had not yet been finalised.
- Internal Audit would be looking at safeguarding arrangements at the council as part of their 2015-16 work.

In terms of involvement in the section 11 process, the committee felt that they should be involved in the initial self-assessment and in reviewing progress against any actions.

Upon a vote it was unanimously

**RESOLVED that;**

- 1. The Council's responsibilities and the associated implementation of those duties, be noted by the committee.**
- 2. The committee be involved in the Section 11 process at self-assessment stage and in reviewing progress against any actions.**

**7. ICT DISASTER RECOVERY PREPARATION AND TESTING**

Andy Barge and Giles Rothwell, introduced the report as circulated with the agenda. Andy explained that this progress report followed on from the assurance report which was considered by the committee on 26 March 2014. He explained that any recovery strategy needed to be proportionate, balancing protection and recovery costs versus the risk to the business, suggesting that if recovery was assessed as taking less than a week, that rather than initiating the ICT Disaster Recovery Plan (ITDR) the council would instead initiate a Service Business Continuity Plan (SBCP). Members were referred to part 3 of the report which set out progress that had been made in the previous 12 months. He highlighted that in March 2015 status had progressed from red and with a maturity level of 1-2, as at October 2014, to amber with a maturity level of 3. He

stressed that on the basis that a primary point of the councils ITDR framework was to balance protection and recovery costs against the risk to the business, the maximum maturity level target was 4. Paragraph 3.5 of the report set out areas of focus for the ensuing 12 months and this included finalising documentation and integration with service business continuity plans.

As a point of clarification the officers explained the difference between ITDR and SBCP, though admittedly there was a fine line between the two. As part of the framework development, a number of plans had identified that there were a number of services which could continue to be delivered without ICT. The ITDR would be initiated if a server was lost and it was not possible to get IT where it needed to be.

The Governance, Risk and Compliance Officer explained that plans were in place across the shared services which would allow for staff to relocate to different sites if necessary and that there was a number of staff who would be able to work from home. BCP was a standing item on the agenda of the Joint Security Working Group and all Service Managers would soon be contacted and asked to review their BCP and before testing was undertaken. Testing had recently been carried out with the Elections team, with staff being relocated and included a full system shut down. The data had then been tested and lessons were learned which could be applied to other service areas. Members needed to be aware that a key risk to any service was the loss of people, not just infrastructure, and as such ICT had produced step-by-step guides for various tasks.

The Director of Resources accepted that there was still some work to do but felt that good progress had been made and that the council was in a better position than it had been 12, or even 6 months ago, with the council's ability to respond to an incident far improved. He emphasised how integral investment had been in enabling this level of progress.

Officers gave the following response to member questions and comments;

- Part of the investment into IT had been used to make the system more robust by creating a ring design which meant that broken links could be bypassed.
- There were two broadband routes to Coleford from Cheltenham, one provided by BT and the other by Virgin, so should one connection be lost, there would in theory be another broadband connection that was still functioning. Most sites now had two routes.

Upon a vote it was unanimously

**RESOLVED that the report be noted.**

## **8. ANNUAL AUDIT FEE LETTER 2015-16**

Jackson Murray from Grant Thornton introduced the Audit fee letter 2015-16. He explained that the fee required to undertake the work necessary to meet their statutory responsibilities and the scale fee set by the Audit Commission, was £49,406. This represented an almost 25% reduction compared to the audit fee for 2014-15 and was a result of the procurement exercises run by the Commission across Local Government and Health sectors.

In response to a member question, Jackson Murray advised that the PSSA would now set the scale fees annually.

No decision was required, the fee was simply noted.

#### **9. AUDIT COMMITTEE UPDATE**

Jackson Murray, from Grant Thornton, introduced the update report. The first section of the update detailed progress and included at the end of the report was a summary of emerging national issues and developments which might be of interest to the committee. He explained that work on the financial statements hadn't yet begun but VFM work had progressed. It was also noted that a management response had been added to each challenge question, which he hoped would help provide further assurances to members.

The following comments were made by members;

- It would be interesting to know what work had been done to assess the impact on the town if Housing Associations sold off property. The Director of Resources was confident that some form of assessment would have been made. He would make enquiries with the relevant officers and pass the information back to the committee.
- Members felt that the Rotherham briefing should be presented to all members at a Council meeting. Enquiries would be made with the relevant officers.
- CBH would be asked to look at the Build to Rent scheme, consider how it impacts Cheltenham and whether there was potential and/or will to create a private sector arm (of CBH). This information would be passed back to the committee so that they might decide whether they would like to refer it to the Overview and Scrutiny Committee to consider it as a topic for a task group.

No decision was required, so the update report was simply noted.

#### **10. ANNUAL GOVERNANCE STATEMENT**

The Governance, Risk and Compliance Officer introduced the report as circulated with the agenda. He explained that the council had a statutory duty to produce an Annual Governance Statement, based on the CIPFA model, which had to be approved as part of the annual statement of accounts. The committee needed to satisfy itself that the AGS for the 2014/15 financial year fairly reflected the arrangements within the council, and that the action plan would address the significant governance issues identified by the review. He noted that this AGS was somewhat shorter than in previous years in an effort to make it a more 'high level' document with less detail. He highlighted the Art Gallery and Museum as a significant issue which had been included. Members were being asked to approve the AGS for the Chief Executive and Leader of the Council, to sign.

The Head of Audit Cotswolds took the opportunity to update members on his AG&M report, which was scheduled to be considered by the committee on 15 July 2015. He explained that he had interviewed 15 people in total and because this had included the Chief Executive and Director of Corporate Resources at

the council, the draft report had been sent to the Borough Solicitor and Monitoring Officer to check. In order to answer the question of why the overspend happened, the report included personal information and a discussion was required to establish how this should be presented; either a member briefing in advance of the meeting or on pink papers.

In response to a question, the Head of Audit Cotswolds assured members that processes were in place for the Audit Partnership to garner assurances from those responsible for auditing service/bodies to which the partnership did not have direct access (e.g. ICT at the Forest of Dean). Members felt that it would be useful to have a list of the audit arrangements for the various service/bodies listed at 13 c and d of the AGS (including the Cheltenham Development Task Force, Gloucestershire Airport and ICT). Officers would produce this as a briefing for the next meeting.

The Governance, Risk and Compliance Officer clarified that as a member of the Executive Board, the Section 151 Officer had the right to attend meetings but may only choose to do this if there were something specific on the agenda, depending on workload. He would not be expected to attend every meeting.

Paragraph 9f of the AGS would be amended so that the g of Grant Thornton would be replaced with a capital letter and the final word 'payment' would be replaced with the word 'purchase'.

In relation to appendix 3, the Significant Issues Action Plan, he recommended that the first issue be closed, as it had moved on in respect of the way that it was being managed, and would be replaced with 3 other work streams. Deadlines for the completion of these work streams was yet to be agreed, though a work planning meeting in the next month would result in deadlines being set.

Safeguarding was an issue that had featured on the plan for the last 2 years and the difficulty with this was that the training records were being held in a number of areas. The Partnership Team Leader was satisfied that enough staff were being trained but she was still awaiting assurances from GOSS Learning and Development that training needs were automatically identified and recorded as part of the recruitment process. Audit committee requested that an update on the issue be brought to committee in September by the Partnership Team Leader and the GOSS Learning and Development Manager.

There were a couple of car parking projects in progress at the moment and these were anticipated for completion by September by which time an update would be presented to the committee by the manager responsible for the car parking projects.

The Purchase Order Management System issue had been added following the Grant Thornton AG&M report and the committee were advised that almost 80% of transactions were now supported by a purchase order, with the other 20% largely for grant payments. Internal Audit would check that the system was being followed. A progress update would be scheduled for 6 months from now (January 2016).

Upon a vote it was unanimously

**RESOLVED that:**

- 1. The Annual Governance Statement be approved for inclusion in the statement of accounts and;**
- 2. The Leader and Chief Executive be recommended to sign the Annual Governance Statement.**

**11. INTERNAL AUDIT ANNUAL OPINION**

The Head of Audit Cotswolds introduced the report as circulated with the agenda. The report outlined how the Internal Audit function supported the council in meeting the requirements of Regulation 4, the Accounts and Audit Regulations 2011. It provided his opinion on the effectiveness and adequacies of internal control at the council. His opinion was based on a selection of risk-based audits carried out during the previous year and other work on control systems, including proactive work by the service as it supports control arrangements within change projects. A satisfactory assurance had been given, meaning that there was generally a sound system of internal control, designed to meet the organisations objectives, and that controls were being applied consistently. Some weaknesses in the design and/or inconsistent applications of controls had been identified, recommendations made and improvement plans agreed. It was noted that this opinion did not include any of his work on the Art Gallery and Museum and he was also pleased to report that after a long period of GO Shared Services getting limited assurance, it was now considered satisfactory and in parts High Assurance opinions given.

The Head of Audit Cotswolds provided the following responses to member questions;

- The overall opinion had not been affected by the Grant Thornton report on the AG&M because the issue was not significant enough against the overall governance arrangements of the council.
- Audit Cotswolds had been appointed as the Auditor for 2020 vision. They would be working across all four councils to ensure that they were each approaching risk in a similar vein and would be checking project reports to ensure that the team were challenging themselves sufficiently. The model was still being worked through and only once finalised could any risks be reviewed.

Upon a vote it was unanimously

**RESOLVED that the Internal Audit annual opinion, of satisfactory assurance, be noted.**

**12. COUNTER FRAUD REPORT 2014-15**

The Head of Audit Cotswolds introduced the report as circulated with the agenda. The report set out the counter-fraud and anti-corruption arrangements in the authority and detailed the results of activity for 2014-15. He reminded members of the Cabinet decision in February 2015, to retain counter fraud expertise and focus on other aspects of fraud and corruption impacting on this authority; post 1 April 2015 when the Single Fraud Investigation Service would 'go live', which would take on benefit fraud investigation work which had

historically been done by Local Government. The report also included details of the Counter Fraud Unit, which staff transferred to in April 2015 following the successful funding bid of £403k. Moving away from benefit fraud, much of the focus of the unit would be on data matching across Gloucestershire and it was likely that a number of policies at the council would need to be reviewed and amended as a result of this new approach.

As a point of clarification the Head of Audit Cotswolds explained that the unit currently consisted of 2 dedicated members of staff, managed by him directly. He stressed the need for this service to be sustainable and the £403k funding would allow for a two year period to be able to prove its sustainability.

**The report was noted.**

**13. WORK PROGRAMME**

Members noted the work plan which had been circulated with the agenda.

**14. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION**

There was no urgent business.

**15. DATE OF NEXT MEETING**

The next meeting would be the extraordinary meeting on the 15 July 2015, however, the next schedule meeting of the committee would be on the 23 September 2015.

Colin Hay  
Chairman