

Audit Committee

Wednesday, 14th June, 2017
6.00 - 7.40 pm

Attendees	
Councillors:	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne, Jon Walklett and David Willingham
Also in attendance:	Sarah Didcote (Deputy Section 151 Officer), Dave Hill (SWAP), Jessica Howell (Gloucestershire County Council), Jaina Mistry (SWAP), Sophie Morgan (Grant Thornton)

Minutes

1. APOLOGIES

All members were present as expected. Apologies had been received from Bryan Parsons and Peter Barber.

2. DECLARATIONS OF INTEREST

Councillor Willingham declared a non-pecuniary interest in Agenda Item 6 (Progress Report and Update), as a member of the Local Government Pension Scheme from his time as a councillor on Bristol City Council.

3. THE MINUTES OF THE LAST MEETING

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

Upon a vote it was

RESOLVED that the minutes of the meeting held on the 22 March 2017 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

No public questions had been received.

5. THE PROVISION OF EMERGENCY MANAGEMENT SUPPORT SERVICES

Jessica Howell from the Gloucestershire County Council Civil Protection Team (CPT) introduced the overview of the provision of Emergency Management support services. She explained that borough council (CBC) had statutory duties under the Civil Contingencies Act 2004, to prepare for, respond to and recover from any emergency that affects its staff, the environment and any communities or businesses in the borough. The council had a Service Level Agreement (SLA) with the CPT for the provision of emergency management support services which assisted the council in fulfilling its responsibilities. The SLA was underpinned by a business plan which outlined areas of support and a monthly work program which detailed work priorities. This SLA included a dedicated Civil Protection Officer (CPO), which had until recently been Matt Armstrong, seconded from the Fire Service and his replacement would be Lionel McCrea. The CPO worked closely with the council's District Emergency

Planning Liaison Officer (DEPLO) and the Local Resilience Forums, taking a lead on developing and reviewing emergency plans for the Local Resilience Forums on behalf of the council. The Local Resilience Forums were based on Police Forces, meaning the Forum which the council formed part of was a Gloucestershire Forum which included the Police, Fire Service, NHS and Environment Agency and a key part of the work of the Forum was planning for some specific emergencies (Flu Pandemic/Floods/etc) and some more generic emergencies. The council had some specific emergency plans which included the Charlton Kings Rapid Response Catchment Plan, which was developed after the Environment Agency identified Charlton Kings as an area prone to flash flooding. There were 4 rest centres in Cheltenham (Leisure@, All Saints Academy, Dean Close School and the Salvation Army Church and the plans for each contained contact information and site details. These plans were up to date and following a recent exercise were shown to be robust. Emergency Response Teams were made up of volunteer staff and regular sessions provided to ensure that people were adequately trained. A requirement of the Civil Contingencies Act is for the council to have Business Continuity Plan in place which details the actions required to maintain a service to the public. The CPT and DEPLO had worked hard to ensure procedures were robust and had recently undertaken a successful desktop exercise to test the arrangements. The SLA offered a Duty Officer 24 hours a day, 7 days a week, 365 days a year and in response to an incident would contact the DEPLO and depending on the scale/type of incident, he would contact others.

Jessica gave the following responses to member questions:

- At present only Leckhampton with Warden Hill Parish Council had a Community Resilience Plan. Predominantly these plans were established on a parish or ward basis but that was not to say that they needed to be. It was acknowledged that in urban areas, communities may exist within or across ward boundaries and it was noted that there was no restriction on size. The Local Resilience Forum Community Resilience Group was working with CBC and Gloucester City to address the urban area issue.
- In other District Council's Emergency Planning fell within the portfolio of the Leader of the Council or a Cabinet Member.
- The CPO produced end of year reports which summarised progress against the work plan and SLA. Officers would look at whether this was something that could/should be shared with members.
- CBC were currently reviewing their out of hours arrangements. It would not be appropriate for all members to have contact details for the Duty Officer.
- There was no, set criteria as to what constitutes an incident, it depended on the scale and impact. Any agency within the forum could declare a major incident where they were overwhelmed and their ability to undertake day to day service was compromised.
- The role of the CPT in relation to business continuity was merely to assist the council in producing robust plans, they were not responsible for helping to deal with any disruption. The plan, as members would be aware, prioritised some services. The plans should be easily accessible to all staff.

- Once a major incident is declared a mechanism is in place to ensure that it is communicated to all, including Government and support offered by other agencies.
- The A&E incident at the Gloucester Royal Hospital was a business continuity issue, rather than a major incident and they enlisted the assistance of other NHS providers to address the issue.

There were no resolutions arising from this item.

The Chairman thanked Jessica for her attendance.

6. PROGRESS REPORT AND UPDATE (2016-17)

Sophie Morgan of Grant Thornton, introduced the Audit Committee Progress and Update Report as circulated with the agenda. The paper was tabled at each meeting of the committee and was presented in two parts. Section one outlined Grant Thornton's progress in delivery of their responsibilities and Grant Thornton were on track to begin the final accounts audit on the 3 July 2017, as planned. Section two highlighted reports and national developments which may be of interest to the committee. This included a CIPFA article on 'Pooling of LGPS' which would take effect from the 1 April 2018 and would see Gloucestershire entering into the Brunel scheme and a Grant Thornton report 'The income spectrum' which aimed to give local authorities the tools needed to maximise income generation opportunities, which included Cheltenham as a case study.

Sophie Morgan gave the following responses to member questions;

- Officers would look into why hyperlinks didn't work within the app.
- Sophie Morgan was asked whether she had a view on the pooling of LGPS and replied that she didn't specifically hold an opinion on the matter.

The Chairman, as a member of the Pension Committee, reassured members that the Gloucestershire Pension Fund would continue to be managed and maintained by the Gloucestershire Pension Committee. The Brunel scheme was simply a means of pooling investments, reducing costs through economies of scale and sharing expertise. The Pension Committee would continue to choose which areas it wanted to invest in and whilst there was a considerable cost associated with establishing these pools, the hope was that a better return on investments could be achieved. He also noted that membership of a pool was compulsory, though it had been possible for the administrative authority to choose which it wanted to be part of.

7. ANNUAL AUDIT FEE LETTER (2017-18)

Sophie Morgan referred members to the fee letter which had been sent to the Section 151 Officer in April. The letter set out the proposed work programme and associated fees for the ensuing year (2017/18) of £49,406. The scale fees were set nationally by the Public Sector Audit Appointments Limited (PSAA) and had been set at the same level as the scale fees for 2016/17. She noted that the Housing Benefit Certification fee was yet to be announced and that this would be included in a further letter once it had been confirmed. This letter represented the last fee letter from Grant Thornton under the current 6 year

contract, with the PSAA yet to finalise auditor appointments for principal local government and police bodies.

The following responses were given to member questions;

- She was not aware of a specific reason why the Housing Benefit Certification fee had not been announced, but assured members that it would be communicated to them on a timely basis, once confirmed by PSAA].

There were no resolutions arising from this report.

8. AUDIT STANDARDS - COMMUNICATING WITH THE AUDIT COMMITTEE

In accordance with the International Auditing Standards, Grant Thornton were required to obtain an annual understanding of how those charged with governance had exercised oversight of management's processes for identifying and responding to risks of fraud and the internal control that management had established to mitigate these risks. At Cheltenham, the Audit Committee were 'those charged with governance' and as such a letter had been sent to the Chairman (Councillor Hay) with a set of questions designed to cover the requirements of the auditing standards and it was good practice for the Audit Committee to review and agree the responses made by the Chair on their behalf.

There were no questions in relation to this item but it was noted that there was a reference to March 2016 which needed to be amended to March 2017.

Upon a vote it was unanimously

RESOLVED that the response, as amended, be approved and signed by the Chairman.

9. INTRODUCTION TO SOUTH WEST AUDIT PARTNERSHIP

Dave Hill, Executive Director of the South West Audit Partnership (SWAP) introduced himself to the committee and talked through a PowerPoint presentation (Appendix 1). Some of the key points raised included;

- Initially set up as a Joint Committee in 2005 with 2 partners, SWAP now included 13 Districts, 2 Counties and 3 Unitary authorities, as well as 3 Police Forces and 3 Office of Police and Crime Commissioners.
- SWAP was established as a publically owned company limited by guarantee in 2013, wholly owned by the partners (of which CBC was one).
- The Board of Directors met quarterly and officer representatives were often the Section 151 Officers, though it did not need to be.
- The Members Board met bi-annually.
- SWAP chose to be externally assessed every 3 years rather than the 5 year requirement and had thus far had 2 assessments and been found to be fully compliant on both occasions.
- As an organisation, SWAP strived to be innovative and had recently won a Public Finance Award for innovation.

- SWAP estimated to have saved partners in the region of £5.7m since 2005.
- SWAP contribute £150k in top up to the pension scheme and as this was included in the fee that the council paid, it would no longer be included in the accounts.
- 100% of audit plans were delivered, with 95% of those delivered on time and within budget.
- A recent staff survey had achieved 100% return rate.
- 65% of all staff were qualified or undertaking training, and some of those that were not, were admin staff who did not require qualifications to undertake their role.
- Client satisfaction was currently at 88%, though it was felt that this could be higher if the response options were yes/no.
- He noted that he was very pleased with the team that previously formed part of Audit Cotswolds.

In response to member questions the Principal Auditor acknowledged that morale had been affected by the redundancy that took place after the move to SWAP. However, the team were used to working across different authorities and cultures, albeit SWAP is a much larger organisation than they were used to, and staff were still having to get to grips with using the audit software. The Executive Director explained that all staff had to TUPE across before the redundancy could be implemented and this had arisen as a result of staff having been matched to work.

The Executive Director advised that whilst there were some posts which had to deal with contracts across a large geographical area and therefore had to travel, the majority of posts were based at one or between two locations and these poses were advertised locally. In another response to a member question, he accepted that trading companies were able to greatly reduce their internal audit provision and that he had flagged this with the Board as an area of concern.

10. INTERNAL AUDIT ANNUAL OPINION

Jaina Mistry, Principal Auditor, introduced the Internal Audit Annual Opinion. The Annual Opinion, set out at Appendix A, was based on the assessed adequacy of control; based on risk-based audits which had been undertaken during the year and other advice and consultancy work on control systems, as well as the results of any external inspections including the work of the External Auditor. Overall, the opinion was that a 'satisfactory assurance' level could be given for the controls in place, within the audit areas where audit activity had taken place. Of the 60 pieces of work that had been undertaken during 2016-17 only 3 of the 28 assurance pieces of work had resulted in a 'limited assurance'. Executive summaries for those audits that had been concluded since the last committee meeting had been included at Appendix B.

The following responses were given to member questions;

- There were four levels of assurance that could be given under the Annual Audit Opinion; High, Satisfactory, Limited and No, and having had some with 'limited assurance' it had not been possible to give an overall opinion of 'High'.

- SWAP currently used a different set of ratings (Substantial, Reasonable, Partial and None), these would be reviewed for the next annual opinion.
- A session could be arranged to talk members through how the assurance rating was reached.

The Chairman was pleased with the assurance level (Satisfactory) which had been achieved.

Upon a vote it was unanimously

RESOLVED that the report be noted.

11. ANNUAL GOVERNANCE STATEMENT

The Principal Auditor introduced the Annual Governance Statement (AGS) to be approved as part of the annual statement of accounts. The AGS, which the council had a statutory duty to prepare, covered the period for 1 April 2016 and 31 March 2017. The committee needed to satisfy itself that the AGS fairly reflected the arrangements within the Council, and that the suggested action plan would address the significant governance issues identified by the review. In March, assurance certificates and evidence tables were issued to the Directors for completion, with the evidence tables acting as an internal control checklist which confirms and reviews the existence and adequacy of governance and control arrangements and identifies any significant absence of, or weaknesses in, the control. If any of the issues identified are considered to be significant, they are added to Significant Issues Action Plan and five had been included this year; the 3 reviews which were given 'limited assurance', governance arrangements for Publica and the imminent changes to the Data Protection Regulations. The committee were being asked to approve the AGS and recommend that the Leader and Head of Paid Service sign the AGS so that it could be included within the statement of accounts.

There were no questions.

Upon a vote it was unanimously

RESOLVED that;

- 1. The Annual Governance Statement be approved**
- 2. The Leader and Head of Paid Service be recommended to sign the Annual Governance Statement so that it can be included within the statement of accounts 2016-17.**

12. REVIEW OF DRAFT ACCOUNTING POLICIES 2016-17

The Deputy Section 151 Officer introduced the draft accounting policies 2016-17. She explained that Grant Thornton recommended that the Committee review these policies prior to reviewing and signing-off the council's final audit statement of accounts in September, in order that members understand the policies and their application in the statement of accounts. The main change to the previous year was going to be presentational changes in relation to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of the new Expenditure and Funding Analysis (EFA). The change to the CIES meant that

reportable segments were now based on Directorates. Another change was that any surplus or deficit on overhead and support service accounts arising at the year-end would no longer be reallocated to services, but would instead remain as a support service expenditure or income within the relevant Directorate. It was noted that these changes had not had a material impact on the financial statements or balances of the council and a narrative report to the statement of accounts would provide clarity to readers.

The following responses were given to member questions;

- The inclusion of 2015-16 figures would reassure readers that the figures had remained the same.
- In anticipation of the requirement to complete the final statement of accounts by 31 May in 2018, the finance team had worked to this deadline, this year and had been successful, though lessons had been learned.

Upon a vote it was unanimously

RESOLVED that the draft accounting policies be noted.

13. WORK PROGRAMME

The work plan had been circulated with the agenda.

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

There were no urgent items requiring a decision.

15. LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION

Upon a vote it was unanimously

RESOLVED that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3 and 5, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Paragraph 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

16. TREASURY MANAGEMENT MATTER - PROGRESS UPDATE

The update was discussed.

17. DATE OF NEXT MEETING

The next meeting was scheduled for the 20 September 2017.

Colin Hay
Chairman