

Audit Committee

Wednesday, 25th September, 2013
6.00 - 8.15 pm

Attendees	
Councillors:	Paul Massey (Chair), Andrew Chard (Vice-Chair), Rowena Hay, Tim Harman and Pat Thornton
Also in attendance:	Cllr Walklett, Mark Sheldon, Bryan Parsons, Grant Thornton, Rob Milford, Martyn Scull, Sarah Didcote, Pat Pratley, Ken Dale, Gary Spencer

Minutes

1. **APOLOGIES**
Apologies received from Councillor Colin Hay.
2. **DECLARATIONS OF INTEREST**
3. **MINUTES OF THE LAST MEETING**
The minutes of the last meeting were approved and signed as a correct record.
4. **PUBLIC QUESTIONS**
None
5. **LEISURE & CULTURE TRUST GOVERNANCE**
Pat Pratley, Senior Responsible Officer, Ken Dale, Programme Manager and Gary Spencer, CBC Legal Adviser gave a presentation on the Cheltenham Leisure and Culture Trust, the slides of which are attached to these minutes for information.

In response to questions from Members the following clarifications were given by officers :

- Should the Council find itself in the position that it could not repair the building there were funds in the planned maintenance budget and as this went forward the council would need to decide on those needs against other needs elsewhere. The Legal Adviser added that a variation of contract would need to be discussed first with the Trust although the Council would need to consider how to deal with a drastic change in funding e.g. terminate the contract. There was a procedure to follow should this be the case. There was however nothing specific in the clauses on such a scenario.
- In terms of which costs were borne by which party there was, in principle, a VAT efficient and cost efficient approach. Officers were currently looking at other service provision such as utilities whereby the Council, as a local authority, could purchase power on more favourable terms than the Trust.

- The Shadow Board for the Trust had its own independent legal adviser who was currently drafting the contract. The set up costs for the Trust included legal advice. To progress the project a brief had been put out to the market and there had been three expressions of interest.
- In terms of resourcing the governance function, the detail had not yet been worked out. Resourcing would be dealt within the business plan itself and this would need to be taken into account when the Trust looked at its structure.
- With regard to the risk management system that the Trust would operate, this was detail which had yet to be finalised. It was certain that there would be a risk register and possibly a risk committee. Risk management issues would be covered by the performance management framework and raised at the Partnership Board meetings.
- When asked whether lessons had been learned from Cheltenham Festivals, the Senior Responsible Officer explained that there were differences in terms of the way the Trusts were funded (management fee vis a vis grant) but lessons could be drawn on how contracts could be managed effectively. She highlighted that informal relationships had been built into the contract framework, i.e. the Chief Executives, the Trust Chair and the Cabinet Portfolio holder would meet quarterly. These relationships were important in terms of governance and moving forward.

The Senior Responsible Officer added that the team would like to attend a future meeting of the Audit Committee and in the meantime invited Members to contact them should there be any particular concerns they had about governance arrangements going forward. The Chair emphasised that the role of the Committee was to be satisfied with the governance arrangements and any areas of concern would be taken up with Internal Audit. Members were informed that the Audit Partnership Manager sat on the Programme Board for the Trust and he would lead the gateway reviews when they are undertaken.

6. INTERNAL AUDIT MONITORING REPORT

The Head of Audit introduced the report and referred members to paragraph 3.2 which outlined the audits which Internal Audit had concluded or were ongoing. He made reference to the Leisure and Culture commissioning project for which officers were working in the interests of both the council and the Trust. Internal Audit was also working through various aspects of the Shared Service governance. Other work was being undertaken in respect of Counter Fraud and tenancy fraud work with Cheltenham Borough Homes. Health and Safety issues relating to the play area enhancements had also been examined and a high assurance had been given in terms of controlling the risks in this area. Budgetary control and capital expenditure was deemed satisfactory with no particular issues. Things were moving forward in terms of GO. Treasury Management had received a high assurance. The Head of Audit noted that some reports were slightly dated so it was more appropriate to examine the management responses laid down in the appendices. NNDR had received a satisfactory assurance and there were issues in terms of ICT related matters. Finally he made reference to the regulation of RIPA which was a limitedly used piece of legislation, picked up in the Office of Surveillance Commissioners report.

In response to a question on the visit from the Office of Surveillance Commissioners, the Head of Audit explained that authorities were normally inspected every 2 years and due to changes in legislation this had been pushed up on the risk radar. There had been advance warning of the visit and there were no limited assurance opinions.

When asked what work Audit was undertaking in respect of ICT services, the Head of Audit stated that a piece of work was underway on the implementation of the recommendations from the virus report. There were also network/application audits and business continuity audits and auditors were working closely with the Forest of Dean in this respect. A member expressed his extreme dissatisfaction with the ICT service at the council which, in his view, was hindering members' ability to serve the public. Such issues needed to be dealt with immediately rather than waiting for a report back in a month's time. The Chair recognised that there were issues with ICT which were directed to the Audit Committee and members needed a better sense of assurances. In the context of one particular ICT incident, he questioned whether the reduction in the planned maintenance budget had had unforeseeable consequences on service delivery in this area.

In response the Corporate Governance Officer explained that the Chief Executive was aware of the issues and a dialogue was ongoing with ICT management and the Forest of Dean which formed part of a rolling programme. The Director Resources referred to the Council's £1.3 million investment in infrastructure in February and made particular reference to the server room incident. The Audit Manager was now well aware of Members' concerns.

7. REVIEW OF ANNUAL STATEMENT OF ACCOUNTS

In advance of the presentation, Paul Jones, Head of Finance, GOSS, referred to a suggestion by the Council's auditors, Grant Thornton, that an additional recommendation be added to the report as follows :

"That the letter of representation be approved for signature by the Chairman of this Committee".

It was also proposed that prior to the signing of the accounts by the Chair the Committee discussed the Auditors Audit Findings report.

Sarah Didcote, GOSS Business Partner Manager West and Martyn Scull, Corporate Accountant GOSS, then gave a presentation on the key changes and highlights of the 2012/13 Statement of Accounts, the slides of which are attached to these minutes for information.

The following points were raised and discussed :

- Icelandic Banks-last year there had been an exchange rate gain of £47 000 on the council's investments although it was uncertain what that could be in the future; some investments were being held by the administrators in escrow accounts which were in Krona. In 2009 the best information suggested that the council would not get back its £5 million and therefore the loss was charged to the expenditure account; the Government, through its Capitalisation Directive, allowed local authorities to spread this loss over 20 years which represented a relatively cost effective way of conducting business. Anticipated losses

were taken out to ensure that the council was still able to fulfil its commitments elsewhere.

- CBH-it was clarified that the apparent overspend on CBH was due to slippage in the capital programme due to the inclement weather. The tenders were still current with the same budget parameters, it was just the physical works which were behind schedule.
- It was noted that the Significant Issues Action Plan would be reviewed on 1 March

Having considered the Audit Findings Report it was

RESOLVED

- 1. That the audited Statement of Accounts for 2012/13 be approved for signature by the Chairman of this Committee**
- 2. That the letter of representation be approved for signature by the Chairman of this Committee**

8. AUDIT FINDINGS REPORT - ISA 260 (2012-13)

Peter Barber, Engagement Lead, Grant Thornton, introduced the report and explained the approach to the audit of the financial statements for the year ended 31 March 2013 and the key issues arising from the audit. No material errors had been identified in the accounts. Two non trivial errors had been identified. These concerned the grossing up of debtors and creditors and the non inclusion of civic regalia. The latter had been included in the heritage assets and at £141 000 was not material to the accounts. He stated that an unqualified opinion would be provided.

The Engagement Lead noted that the Council's accounts were, for the first time, prepared by Go Shared Services (GOSS) under the new shared service arrangements and it was the first year of Grant Thornton's audit appointment. There were some teething problems which made the audit process difficult to complete within the planned deadline but there was scope to improve communication. These problems had no impact on the cost of its audit to the Council.

In terms of the Value for Money conclusion it was the intention that an unqualified opinion would be given. The Council's current arrangements for securing financial resilience were good and the Council was responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively. It had plans in place to deliver further savings of £3.3 million over the next five years. It therefore had effective arrangements in place for economy, efficiency and effectiveness.

Councillor Chard proposed a motion to thank officers in the Finance Team and Grant Thornton for these achievements in the particularly difficult current economic climate. This was seconded by the Chair.

In response to a question, it was confirmed that the civic regalia was insured to the value of £141 000.

Members were referred to Appendix A:Action Plan which was tabled at the meeting and noted the management response.

9. FINANCIAL RESILIENCE REPORT (2012-13)

Peter Barber, Engagement Lead, Grant Thornton, explained that its work supporting the Value for Money conclusion included a review to determine if the Council had proper arrangements in place for securing financial resilience. He outlined the risk areas and explained that each had been assessed as green which signified that the arrangements met or exceeded adequate standards. However, a number of areas had been identified where there were recommendations for improvements. These included monitoring the working capital ratio to ensure that no financial risk arises from having current liabilities in excess of current assets, reporting on key financial ratios more regularly, consider whether the existing performance management arrangements are fit for purpose in the light of commissioning and monitoring the impact of the transfer of finance staff to GO Shared Services to assess the risk of a capacity problem arising. A management response to these five key recommendations would be reported back to Audit Committee in due course.

In response to a question, Grant Thornton said that in the context of the working capital ratio graph in the report, council tax collection rates were not used as a comparator with other local authorities. He emphasised that different authorities did have a different set of circumstances but the graph illustrated where the Council was positioned. Paul Jones explained that the working capital ratio compared current assets with current liabilities. The Council had replaced £15 million of long term borrowing with short term borrowing. This was due to the strategy the council had adopted of using maturing investments to repay short term lending. A further issue which was highlighted was the long term borrowing to the council revenue account due to changes in HRA funding with a large item appearing in 2011/12. Therefore comparisons were less useful with other councils as they did not necessarily have the same financial arrangements. The level of spend per head at CBC was consistent with other authorities and measures were in place to meet future liabilities as they arose.

10. GRANT CERTIFICATION WORK PLAN

Grant Thornton explained that the most significant claims and returns in 2011-12 were housing and council tax benefit claim, national non-domestic rates (NNDR) return and pooling of housing capital receipts. The number of claims to be audited had been decreasing over the last few years. It was confirmed that no issues would be raised with NNDR or capital receipts and that the indicative scale fee for the Council would remain as laid out in the report.

11. OFFICE OF SURVEILLANCE COMMISSIONERS - RIPA INSPECTION REPORT

The report was introduced by the Governance, Risk and Compliance Officer, Bryan Parsons. The purpose of the report was to update the Audit committee on the July inspection and report by Norman Jones QC, Assistant Commissioner from the Office of Surveillance Commissioners (OSC) on the council's arrangements for the use of powers under the Regulation of Investigatory

Powers Act 2000 (RIPA). There were five recommendations in the report for which an action plan had been put in place.

The Cabinet Member Corporate Services wished to put on record his thanks to the Governance, Risk and Compliance Officer for his role in achieving this positive outcome. The Chair made particular reference to paragraphs 18 and 30 of the inspector's report and reiterated the thanks of the Cabinet Member.

Upon a vote it was unanimously,

RESOLVED that;

- 1. The findings and recommendations within the OSC report following the inspection on the 26th July 2013 regarding the Council's arrangements for the use of RIPA be noted.**
- 2. The action plan to deliver changes required to meet the Assistant Commissioner's recommendations be agreed.**
- 3. It be recommended to Cabinet that it agrees the revised RIPA guidance.**

12. WORK PROGRAMME

The Cabinet Member Leisure & Culture suggested that the Leisure and Culture Trust be added to the work programme for March 2014, i.e. once its governance had been defined. This was agreed by Members.

13. LOCAL GOVERNMENT ACT 1972-EXEMPT BUSINESS

14. ICT NETWORK ISSUE

Members discussed the issue and

Resolved

- 1. To monitor the situation closely**
- 2. That should the Council not meet its deadline, the Chair and Vice Chair of Audit Committee should meet with the Chair and Vice Chair of Overview and Scrutiny to consider how to proceed. The Cabinet Member Corporate Services should also be involved.**

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

None

16. DATE OF NEXT MEETING

15 January 2014

Paul Massey
Chairman