

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Friday 12 October 2018 commencing at 10.00 am at the Cabinet Suite - Shire Hall, Gloucester.

PRESENT MEMBERSHIP:

Cllr Colin Hay	Cllr Keith Rippington
Cllr Brian Oosthuysen (Chairman)	Cllr Nigel Robbins OBE
Cllr Shaun Parsons	Cllr Brian Tipper
Cllr John Payne	Cllr Will Windsor-Clive
Cllr Alan Preest	

Substitutes:

Apologies: Paul Blacker and Theresa Mortimer

26. DECLARATIONS OF INTEREST

Councillor Parsons, Councillor Payne and Councillor Windsor- Clive declared they were members of the Examining the Culture of Gloucestershire Fire and Rescue Service Task Group.

27. MINUTES

All matters arising had been dealt with and communicated to members of the committee.

Resolved

That the minutes of the Audit and Governance Committee held on the 27th July 2018 be approved as a correct record and signed by the Chairman.

28. GRANT THORNTON EXTERNAL AUDIT PROGRESS REPORT

Katie Whybray, Engagement Manager, Grant Thornton presented the report. The report detailed the progress Grant Thornton had made in delivering their responsibilities as the external auditors. Accounting, audit issues and emerging issues would be flagged up as part of the regular report.

In relation to the outstanding objection, the Committee were informed that Grant Thornton were still unable to issue a value for money conclusion for 2016/17 and 2017/18 and had not issued the Audit Certificate for either year confirming completion of the audit. Grant Thornton were continuing to work towards resolving the complex objection as quickly as possible, whilst ensuring at the same time the process was fair to both parties.

Members were advised that Grant Thornton had recently received a draft version of the Pension Fund Annual Report and the audit would be completed in due course.

In response to a question relating to Value for Money conclusion and the objection, Mr Barber explained that Grant Thornton were actively working to conclude the objection and were working closely with their legal advisors. Mr Barber accepted the point that at the previous meeting he hoped the objection would be concluded shortly, however this had proven not to be the case as further discussions were needed with Grant Thornton's legal advisors. Mr Barber reiterated that Grant Thornton would continue to engage with all parties concerned, in an effort to finalise the objection as soon as practically possible.

Members requested to know if they could be informed of the issues. Mr Barber explained that from a confidentiality perspective it was not possible to divulge such information, however he would ask his colleague, John Gregory, who was considering the objection if it was possible to provide a timeline for dealing with the objection, which could be reported at the next meeting.

The Committee were advised that the cost of the objection would be paid for by the County Council and due process had to be followed, regardless of the cost implication. Grant Thornton was unable to notify the Committee as to the current cost involved in dealing with the objection but it was inevitable that the figure was increasing, given the legal advice required.

The Director of Strategic Finance informed the Committee that the External Auditors had a duty to investigate the objection. In response to a question relating to the interim cost of the objection, Grant Thornton were asked to advice on the costs incurred to date.

Resolved

That the report be noted

29. GRANT THORNTON ANNUAL AUDIT LETTER

Peter Barber, Grant Thornton presented the report, which informed the Committee of the audit work to be undertaken for the 2018/19 financial year for Gloucestershire County Council and the fee involved. It was noted that the Council's scale fee for 2017/18 was £98,010 and the Pension Fund Audit was £23,799.

Member's attention was drawn to the Executive Summary on Page 32 & 33 of the report. It was explained that Grant Thornton was unable to conclude on the Value for Money arrangements until the objection had been finalised.

In relation to Children's Services, it was noted that Grant Thornton had concluded that the Council did not manage this risk effectively and did not make appropriate use of performance and service quality information to support informed decision

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making and performance management. One member remarked that it was a bit late to state the obvious, and this remark was not very helpful after the event! Mr Barber explained the process and how the information contributed to the overall view.

Members requested to know what extent External Audit would look at high risk areas in terms of the Risk Register and that the management response was effectively being carried out. The External Auditor informed the committee that the Value for Money Conclusion was supported by risk assessments and the risk register, which allowed auditors to arrive at their view. It was noted that Grant Thornton were actively engaging with Officers to ensure the issues were being addressed, as the challenge was to ensure that risks were being effectively managed.

The Director of Strategic Finance explained that the Audit and Governance Committee looked at Risk Management policy and process and the oversight function of monitoring was provided by the Overview Scrutiny Management Committee and the individual Scrutiny Committees. She proceeded to reassure the Committee that the Leadership team monitored risk carefully and the CIA proactively looked for emerging risks and challenged the Leadership Team. In response to a question, it was noted that the process aimed to identify “blind spots”, however it was not possible to mitigate against everything.

Resolved

That the report be noted.

30. INTERNAL AUDIT REPORT & ACTION PLAN - GFRS

In the Chief Internal Auditor’s absence, the Director of Strategic of Finance presented the report.

The report provided the Committee with the context to the Internal Audit independent investigation in relation to GFRS, as a result of the whistleblowing complaints.

Members were advised that there were three strands to the complaint which were:

- The sale of a Gloucestershire Fire and Rescue Service (GFRS) owned vehicle where it was alleged that the vehicle, a Land Rover Defender, was not sold to the highest bidder;
- The high level of staff turnover in the last 24 months; and
- The level of staff with mental health issues who have sought the use of the Council’s Occupational Health Service during the last 24 months.

The Committee were informed that Internal Audit had investigated the first point in relation to the disposal of the Land Rover Defender not being sold to the highest bidder and Human Resources were reviewing the other two issues in relation to the high staff turnover and level of staff who sought the use of the Council’s Occupational Health Unit.

The Committee noted that Page 51 of the report provided information relating to the resignation of the Chief Fire Officer.

The Internal Audit investigation into the Land Rover Defender identified the need to contact and liaise with Gloucestershire Constabulary following detailed analysis of the information received, evidence obtained, together with the results of the interviews undertaken. It was noted that Gloucestershire Constabulary had confirmed their investigation into this case and that their investigation into the potential probity issues around the disposal of the Land Rover Discovery was ongoing. Members were reminded that it was therefore not possible to comment any further on this particular issue.

It was noted that during the investigation period, a significant number of additional whistleblowing allegations and Freedom of Information requests were received notifying other potential governance issues, with the main concerns focusing around the culture within GFRS.

Therefore, taking into consideration Internal Audit's findings and the whistleblowing allegations, Internal Audit had made a number of GFRS specific and council wide recommendations, which were summarised on page 52 of the report. The Director of Strategic Finance explained that full details of these recommendations, including action owners and target dates were detailed in Appendix 1 of the report.

It was proposed that the relevant action owners would continue to report on the progress of the actions to the Audit and Governance Committee until all actions listed had been fully completed to the satisfaction of the Audit and Governance Committee.

The Director of Strategic Finance proceeded to inform the Committee that members of the internal Audit Team were currently based at GFRS and were progressing with the task in hand. Jon McGinty, Commissioning Director provided the committee with an update on the current position in relation to the scrutiny task group recently set up to look into various matters at GFRS.

The Commissioning Director proceeded to explain that the task group had been established to explore the culture within the Gloucestershire Fire & Rescue Service, to develop an understanding of how the County Council scrutinises those issues associated with services and how the GFRS integrates with the County Council and the other blue light services.

It was noted that the Task Group had agreed not to duplicate the work of Audit and Governance Committee but would await the outcome of the audits, action plan and take assurance that the work was being completed. In turn, it was proposed that the scrutiny task group take the lead in scoping the review of culture, and could report back to the audit and governance committee, which would allow the Committee to monitor that this action in the audit report had been satisfactorily completed. It was noted that the Task Group had requested that all information presented to the Committee also be made available to them.

It was explained that the task group also had an interest in exploring at a national level the collaboration between Fire Services and County Councils. In addition, other areas to explore would include member scrutiny of the fire service. The Commissioning Director anticipated that the Task Group would have concluded much of its work by February 2019.

In response to a question, it was noted that the whistle-blower had anonymity. Members wished all staff to be reassured that anonymity existed and they should not be deterred from reporting any issues. The Director of Strategy & Challenge reiterated that the Council's whistleblowing policy have whistle blowers and the choice of remaining anonymous and protected them from victimisation. It was noted that there was now an external phone line provided by 'Protect' (formerly Public Concern at Work) a national whistleblowing charity, which gave employees an independent route to raise their concerns.

Members asked if the current situation would affect the value for money conclusion for the council in 2018/19. Grant Thornton explained that it would form part of the work they completed and they would continue to monitor the situation closely.

The Committee were advised that mental health concerns were being looked into by the Human Resources Team. The Committee sought reassurance that the action plan would consider the culture of the whole organisation. It was suggested that staff should be able to feel comfortable and be able to raise any areas of concerns without fear of retribution.

The Director of Strategic Finance explained that the task group would consider these areas and report back to the Committee in due course. In addition, it was noted that the staff survey was underway and the findings would also help highlight any issues. Members noted that they had not previously had sight of the survey results and requested the upcoming results be presented to the committee. The Director of Strategic Finance agreed to take on board the point raised.

The Director of Strategy and Challenge reiterated that the recent corporate peer challenge looked at the culture of the organisation, and reported that they were satisfied with the areas for improvement, e.g. the new values. Some members were disappointed they didn't have the opportunity to discuss the peer review findings.

The Committee were advised that the review of scrutiny task group would be holding open sessions for members to engage with the review on the 25th October and the 14th November 2018. Members were encouraged to attend to have their say.

It was reiterated that the Whistleblowing policy worked and in terms of the Mental Health issues, it was necessary to know the truth first and the actual figures, in order to review and go forward.

In response to a question about the forthcoming HMIC inspection of the Fire Service, the Commissioning Director explained that the FRS Inspection Regime was relatively new and the service was eagerly awaiting the first tranche of reports from elsewhere to better understand the inspection approach. It was noted that GFRS was within the third and final tranche of inspections, hence the task group would be concluding their work before the inspection took place.

Members requested the situation was respectfully managed, as not to harm the other good cultures in the authority.

Resolved

That the Committee considered and approved the action plan to address the recommendations included within the independent report on the GFRS; and

That the Committee approved the process for delivering the actions set out, and the on-going monitoring arrangements to be undertaken by the AGC

31. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2018/19

Jo Walker, Director of Strategic Finance presented the report which informed members on the progress of Internal Audit activity in relation to the 2018/19 Internal Audit Plan and provided a progress report on those audits undertaken during the June – September 2018 period, including the opinions provided on risk and control.

The Committee welcomed the report which provided the relevant risk and control assurance opinions in relation to the audit activity during the above period. It was highlighted that the opinions provided during this period showed an overall satisfactory and above rating of 100% on control and 100% on risk. It was explained that during this period there were no limited assurance opinions on risk.

The Director of Strategic Finance informed the Committee that all 18 recommendations made by Internal Audit to improve the control environment during this period had been accepted by management.

Members' attention was drawn to page 92 & 93 of the report, it was noted that as a result of Special Investigations and Counter Fraud Activities £3,386 of repayments had been made in relation to a care provider, £17,000 of repayments had been made in relation to a direct payment case and £9,000 of repayments had been recouped. Members congratulated officers on the recoupment of funds.

The Committee were advised that in respect of the investigation and Internal Audit review into GFRS governance, practices and processes the separate internal audit and action plan was detailed as per the report.

A member expressed concern in relation to Section 106 Developer Contributions, and the lack of contributions received by some schemes, including the impact this had up on Highways and road safety, etc. It was agreed that the CIA would be asked to provide an update on this area of concern.

The Committee was informed that the CIA had the authority to use external audit resources if she deemed necessary, to ensure there was no adverse effect on the Plan. It was explained that the audit plan was a live and risk based document, which would be prioritised accordingly. It was noted that the CIA was actively recruiting to her team and had recently recruited trainee auditors.

Resolved

That the Committee noted the 2018/2019 Internal Audit Activity Progress Report.

The Committee noted the assurance opinions provided in relation to the effectiveness of the Council's control environment comprising risk management, control and governance arrangements as a result of the internal audit activity completed to date.

32. TREASURY MANAGEMENT UPDATE REPORT

Kathy Oakey, Finance Manager explained that the update report had been produced in accordance with the CIPFA Code of Practice for Treasury Management in Public Services which required an update report to be produced to inform members about the Treasury Management activities for 2017/18 Financial Year to date.

The Treasury Management Update Report gave the position as at the end of August 2018. Under the Code there was a requirement that members were presented with at least three reports during the year, and therefore this report together with the strategy and annual report met this requirement.

It was reported that during the period 1st April – 31st August 2018 GCC had taken on no new long term external debt and despite ongoing review of the borrowing portfolio there were still no opportunities to repay debt due to the high premium charges that would apply. The average cost of the loans in the portfolio were 4.98%, down on last years average of 5.05% as some higher interest rate loans had matured.

Members were advised that two loans were maturing later this financial year, totalling £7.9m. It was noted that more detail on the maturity structure was provided graphically in Appendix B of the report.

In terms of investments, balances remained healthy ranging from £278m at the beginning of the financial year to currently over £300m. Although there had been a bank rate increase during the year, fixed investment returns remained low, however a move into more investment funds had increased yield and currently returns were 1.69%, up from 1.18% last year. Based on performance against the Budget, the current interest Budget was £2.6 million, and the current forecast was this would be exceeded by £2.5 million.

With regards to longer term investments the Council currently had £30m invested in a Property Fund, a £5m deposit with a housing association, £3.9m in secured instruments and £55m with other local authorities. The Finance Manager explained that recent diversification included £10m invested in a multi asset fund, and an equity fund also with £10m invested, which would help to boost investment returns.

Some members felt that there was a lack of affordable housing in Gloucestershire and that perhaps the Authority should invest in more social housing schemes to help local young people. It was explained that in terms of Treasury Management the Authority had diversified and invested money with a housing association, this aimed to dealing with housing situation whilst spreading the Authority's risk.

In response to a question, officers agreed to circulate further information on the composition of the equity fund. Members were advised that the potential indicators were detailed within the appendices.

Resolved

The Treasury Management update report was duly noted.

33. MANAGEMENT UPDATE REPORT ON IT DISASTER RECOVERY

Andy Gilbert, Head of ICT presented the report, which explained that disaster recovery involved planning to protect an organisation from the effects of significant negative events. Members were advised that a disaster could be anything that put a normal IT operation at risk from a cyber-attack, hardware failures to natural disasters. The Disaster Recovery process included planning and testing and may involve the need for a separate physical site for restoring operations.

It was explained that the audit review identified a number of areas of good practice. The Committee were advised that the majority of council servers were externally hosted at Corsham in a purpose built data centre. The Corsham site offered a high level of physical security including on site security guards, CCTV and biometric access controls. In addition, physical access controls were supplemented by environmental protection, including an uninterruptible power supply.

Members were informed that all council data stored on primary servers at Corsham was replicated (backed up) overnight and stored on servers held within Shire Hall. Therefore, if one set of data were to fail there was an emergency back-up available to ensure continuity. GCC Directors had visited the Corsham site and were assured that the measures in place ensured council data and systems were adequately protected.

The audit findings identified improvement actions to ensure that there was a reasonable chance of a timely recovery from an incident. Members were advised that the main areas that required attention were:

- The lack of an up-to-date IT Disaster Recovery plan;

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- No recent testing of ability to recover critical systems in the event of a disaster; and
- Absence of documented technical recovery procedures for many critical GCC systems.

It was explained that the audit recommendations were being actively addressed by the ICT senior management team. Due to the complexities of the councils' technological infrastructure, the ICT response to the OTSED Improvement Plan and the overall pace of change, some documentation updates had not been addressed in a timely manner.

The Head of ICT assured the Committee that this had not affected the ability of the ICT Service to promptly recover from a real test of our Disaster Recovery arrangements when a failure of the councils' Oracle databases occurred at the end of July this year. Coincidentally, the annual DR test restore was scheduled at the same time and was postponed to allow all available resources to attend to the real outage. The annual test restore had now been re-scheduled for November.

A member suggested that there should be a programme of routine testing against the prevention of cyber-attacks. The Head of ICT responded that this was a separate area of work that was being addressed through the development of a Cyber Resilience Plan for the council. One member expressed concern about the Disaster Recovery system and felt that areas of bad practice should also be highlighted.

In response to a question, it was explained that there were some stand-alone business systems within the Authority that were externally hosted and managed outside of the corporate ICT function. Any service area which chose to host their business system externally were given support by the ICT Service via a commissioning 'toolkit' to ensure that their system was effectively supported and backed up.

The Director of Strategic Finance explained that these risks were included within the Corporate Risk Register and that the ICT Governance Board monitored them and where possible mitigated the risks through funding via the MTFS process.

Resolved

That the report be noted

34. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2017/18

Jane Burns, Director of Strategy and Challenge and Monitoring Officer presented the report. The report informed the Committee of the Council's arrangements for handling complaints and investigations by the Local Government Ombudsman (LGO). The Committee noted that in 2017/18 the LGO received 67 complaints about the County Council, 8 of which were upheld.

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It was explained that the County Council kept local data about these complaints, and the records showed 50 complaints were brought to a conclusion by the LGO, of which 8 had been upheld and local resolutions.

The LGO only provided the number of complaints received and not the detailed data which sat behind it, so it was impossible to reconcile the two sets of data. It was likely that the higher number of LGO complaints would include some which were not pursued.

In response to a question, the Monitoring Officer explained the LGO website published the specific complaints if members wished to view the detailed content. The Committee was informed that the separate annual complaint reports for children's and adult's services were reviewed by the appropriate scrutiny committee. One member sought assurance that the annual reports were dealt with appropriately, in an effort to ensure good governance arrangements were in place. It was explained that the Audit & Governance Committees remit was to keep complaints under review.

It was noted that both complaints and compliments were welcome, as it gave modern organisations a broad overview and helped to improve its processes.

Resolved

That the Committee noted the Local Government Ombudsman Annual Review Letter 2017/18.

35. MEMBER CODE OF CONDUCT REVIEW

Jane Burns, Director of Strategy and Challenge and Monitoring Officer presented the report which reminded the Committee of the statutory arrangements governing the conduct of elected members. It was noted that the Council had two Independent Persons who assisted the Monitoring Officer when allegations were made. It was reported there had been no reason to convene the Hearings Panel in 2017/18.

The Committee was advised that the Committee on Standards in Public Life were reviewing local government ethical standards. The Audit and Governance Committee reviewed and submitted a response to the consultation on the 6 April 2018. It was explained that the Committee on Standards in Public Life's report was expected by Christmas and a further update would be presented in due course.

Members were advised if they had a reason for not wanting their home address published on the GCC website, then they should contact the Monitoring Officer directly.

Resolved

That the report be noted.

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36. EXCLUSION OF THE PRESS AND PUBLIC

THAT in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the business specified in minute 37 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 and 7a of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

37. EXEMPT ASSURANCE REPORTS

The Committee received and discussed the reports in detail and requested an update at the next meeting of the Committee.

Members sought assurance from the Children & Families Scrutiny Committee that the high number of exclusions did not have a detrimental impact on the service provision.

Resolved

That senior management provide an update on the action taken in relation to the Exempt Assurance Report.

That the reports be noted.

CHAIRPERSON

Meeting concluded at 11.58 am