

# AUDIT AND GOVERNANCE COMMITTEE

**MINUTES of the meeting of the Audit and Governance Committee held on Friday 22 January 2021 commencing at 10.00 am at the .**

## **PRESENT MEMBERSHIP:**

Cllr Bernard Fisher	Cllr Alan Preest
Cllr Andrew Gravells MBE	Cllr Nigel Robbins OBE (Chairman)
Cllr Brian Oosthuysen	Cllr Ray Theodoulou
Cllr Shaun Parsons	Cllr Will Windsor-Clive
Cllr John Payne	

## **Substitutes:**

**Apologies:** Cllr Colin Hay and Cllr Brian Tipper

### **1. DECLARATIONS OF INTEREST**

No declarations of interest were made.

### **2. CHAIRPERSON ANNOUNCEMENT**

The Chairperson welcomed Piyush Fatania, the newly appointed Chief Internal Auditor to meeting.

### **3. MINUTES**

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

#### **Resolved**

**That the minutes of the meeting held on the 30th October 2020 be approved as a correct record and signed by the Chairperson.**

### **4. GRANT THORNTON PROGRESS REPORT**

Peter Barber, Grant Thornton presented the report, which detailed the progress Grant Thornton had made in delivering their responsibilities as the external auditors.

Members were advised that Grant Thornton were still unable to conclude their work in relation to Value for Money (VFM) until the objection relating to the energy from waste scheme had been completed. The Committee noted that Grant Thornton had issued an updated provision view document on the 15<sup>th</sup> December 2020 to the County Council and the objectors and had asked for responses by the 22<sup>nd</sup> January

2021. It was explained that Grant Thornton would determine a way forward, once the responses had been duly considered. The Executive Director of Corporate Resources explained that the Authority had written to Grant Thornton to seek a short extension on the submission of its view.

Grant Thornton reiterated they would duly consider the submissions before any decisions were taken. The Executive Director of Corporate Resources explained that the challenge in the court had now been over ruled and the court had found in the Authority's favour. However, there was an ongoing objection to the accounts and it would be inappropriate to comment at this time until Grant Thornton had concluded their findings. It was noted that the Energy from Waste scheme was a sizeable contract, which would be continually reviewed given its nature.

The Chairperson was hopeful that the concluded findings would be presented to the March Committee meeting.

The Committee noted there were ongoing issues at a national level with the Whole Government Accounts submission which had prevented the Council from updating their submission and Grant Thornton completing their assurance on the statement.

Grant Thornton advised Members of the proposed increases for the audit fees for 2019/20. It was noted this issue would be discussed in more detail at the next agenda item, which related to the Annual Audit Letter.

It was noted that a new VFM Code of Audit Practice had come as of the 1<sup>st</sup> April 2020 and this code superseded the previous NAO code. Officers explained that the value for money audit work would continue to be conducted remotely during the pandemic. Members were advised that the code was more complex and would lead to a more in-depth review of Council arrangements and it would undoubtedly have fee implications and place greater pressures on officer time. The Committee welcomed a more robust approach. The Executive Director of Corporate Resources explained that the previous value for money process was no longer fit for purpose, as it required more commentary in order to make it user friendly for the public and he welcomed the challenge.

In response to a question relating to the Pension Fund Accounts, it was confirmed that the triennial valuation had informed the 2019/20 disclosures and audit. .

## **Resolved**

**That the report be noted.**

### **5. GRANT THORNTON ANNUAL AUDIT LETTER 2019/20**

Peter Barber, Grant Thornton presented the County Council & Pension Fund Annual Audit Letter which summarised the key findings in terms of the planned approach to the 2019/20 financial statements and value for money audit.

It was noted that in terms of value for money arrangements, Grant Thornton's risk assessment regarding GCC arrangements to secure value for money had identified two VFM significant risks, these being future financial sustainability and children's services.

Members were referred to page 52 of the report, which detailed the audit fees. It was explained that the fees included an uplift of £18k and Grant Thornton had now proposed a further increase of £14k, which put the proposed total audit fees at £107,891. It was noted that the Pension Fund audit also included an £6k increase in fees. It was reported that the uplift in fees also included increase due to the Covid pandemic impact.

In response to a question, it was noted that the Pension Fund was independently valued. It was explained that Grant Thornton engaged with the External Auditors of Brunel, who were another specialist team within Grant Thornton as Grant Thornton sought independent advice of the custodian and fund managers. Members reiterated their concerns in relation to the duplication of work and that Brunel should be undertaking this work. The Committee were advised that Grant Thornton sought third party assurance in order to sign off the accounts.

During the discussion members referred to the value for money conclusion for children's services, Grant Thornton explained that the inadequate conclusion would remain until Ofsted had completed their formal reinspection and those findings were published. Grant Thornton acknowledged the scope for continued improvement by the Authority. The Executive Director of Corporate Resources advised the Committee that until Ofsted changed its rating of the Authority, Grant Thornton had no choice but to record the service as inadequate.

Andy Dempsey, Director of Partnerships & Strategy reassured the Committee that the Authority had recently received a letter from Ofsted who now confirmed they were happy with the performance management systems in place.

### **Resolved**

**That the report be noted.**

## **6. CAPITAL, TREASURY AND INVESTMENT STRATEGY**

Paul Blacker, Director of Finance presented the proposed Capital Strategy, Treasury Management Strategy Statement and Investment Strategy for 2021/22, which met the CIPFA Code of Practice, and governed how the Authority undertook Treasury Management activities. It was noted that the Committee was required to consider and comment on the proposed strategies for 2021/22, including the Minimum Revenue Provision Policy.

It was noted that the strategy would be approved by full Council as part of the Medium Term Financial Strategy (MTFS) and was being submitted to the Audit and Governance Committee in accordance with its terms of reference to regularly monitor the Council's Treasury Management policy and practices.

It was noted that details of the Investments within the strategy were covered in detail at the Treasury Management training session provided by Arlingclose on the 15<sup>th</sup> January 2021.

In response to a question, it was explained what the terms Lender Option Borrower Option (LOBO) and Money Market Funds (MMF) meant in detail. Members were advised that the aims of Treasury Management were security and liquidity of funds in preference to maximising financial returns.

### **Resolved**

**That the Capital Strategy, Treasury Management Strategy Statement and Investment Strategy 2021/22 be commended for approval by Council.**

## **7. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2020/21**

Stephanie Payne, Group Manager, Audit Risk Assurance (ARA) presented the report which informed members on the progress of the internal audit activity in relation to the 2020/2021 Revised Internal Audit Plan and provided a progress report on the internal audit outcomes from the period October to December 2020 including the opinions provided on risk and control.

It was noted that report followed the processes embedded by our previous Chief Internal Auditor and confirmed the Counter Fraud Team update. The report also highlighted the additional activities ARA had progressed due to the risks from and impact of Covid 19. ARA had also ensured input to the wider Covid 19 effort with our partners, for example: team member participation in the Gloucester City food parcels effort at the start of the pandemic and ARA volunteers on the recent Covid mass testing pilot.

The Group Manager explained that due to the period covered this was a 'heavy' report, as there were 16 summary paragraphs regarding concluded assurance outcomes and wider Counter Fraud Team update, this reflected the significant level of activity completed by ARA while working remotely and the support received from the wider Council to enable ARA to deliver this.

Members noted there were two limited assurance opinions on control during this period. The limited assurance opinions on control related to:

1. Limited assurance outcome – Direct Payments (Children's)
2. Split limited assurance outcome on control – Client Affairs (Adults)

It was noted that all other assurance outcomes were satisfactory, substantial assurance or assurance provided on grant claim review or certification. Members were advised that the next progress report to Committee would be in March 21.

The Committee were advised that there were position statements regarding two audit deferrals, as agreed by the previous Chief Internal Auditor in line with ARA

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processes. These were Gloucestershire Fire Rescue Service (GFRS) Culture review and High Needs block (Children's).

In response to a question relating to Direct Awards, it was noted that management would attend the March Committee to present an update. The Chair stated that payment delays could be emotional and challenging for people. The Director of Partnerships & Strategy reiterated that concerns were highlighted during the audit process, which had led to a change in management.

One member raised a query in relation to Disabled Facilities Grant and the carry forward balance. The Executive Director of Corporate Resources explained that the carry forward depended on the overall position of the directorate.

Members queried the Adults Social Care debt collection process, e.g. once a person passed away. Officers explained that bills need to be issued quickly for the reimbursement and the service was working closely with audit to ensure future review. Members suggested that this area should be included within the Audit Plan for 2021/22. The Group Manager agreed to action this request.

It was agreed that management would provide an update on the two limited assurance reports at the next committee meeting.

### **Resolved**

**That the report be noted.**

## **8. ANNUAL GOVERNANCE STATEMENT IMPROVEMENT PLAN UPDATE 2019/20**

Stephanie Payne, Group Manager, ARA, presented the report. The Council Annual Governance Statement 2019/20 included 5 actions to further enhance governance arrangements. This report facilitated by ARA, includes the up to date position on each action as provided by the specific lead officers and/or their nominated representatives.

The report provided assurance to the Audit and Governance Committee that the improvement actions identified as part of the annual review of the governance arrangements operating within GCC had been/were being addressed. It was recommended that the Committee reviewed and considered the actions taken to address the governance improvement areas identified.

It was noted as an update to the AGS, the Committee had agreed that relevant action owners or their nominated representative attend the Committee Meeting to provide an update and respond to member queries on the following areas:

### **1. Future Financial Sustainability**

In response to future financial sustainability, the Executive Director of Corporate Resources explained that the budget report would be presented to Cabinet on the 27<sup>th</sup> January 2021. He added that it was not possible to predict any of the

difficulties the Authority was experiencing. He felt that that GCC had been listened to by Government on a number of issues and that reserves were adequate for the current time. The Director of Finance explained that a full detailed breakdown of the Medium Term Financial Strategy (MTFS) was available with the Cabinet Report, if members required further detail.

The Chair of Overview Scrutiny Committee confirmed they had also looked at the budget in considerable detail.

## **2. Ofsted Inspection of Children's Services**

The Director of Partnerships & Strategy referred the Committee to page 145 of the report, which detailed the position at December 2020 and the focused visit by 5 HM Inspectors, who looked in detail at effectiveness of the virtual school and the outcomes for children in care. He reported that the service had improved and was now more child focused.

In response to a question, it was explained that it was important to challenge and support teams and those teams who were under performing could be pin pointed and support given to help them overcome the issues.

## **3. Gloucestershire Fire & Rescue Service (GFRS)**

It was explained this area also related to the next agenda item (GFRS Progress Report) and would be taken in conjunction with that item.

Wayne Bowcock, Chief Fire Officer (CFO), confirmed that he had received the HMI findings and he was pleased to report that the Inspection Letter was very good and GFRS had received favourable feedback in relation to their response to the Covid pandemic. It was reported that HMI recognised that the service had maintained availability, staff availability to assist across the ambulance service, staff welfare, equipment maintenance, etc.

It was reported that GFRS had provided over 20 staff to crew ambulances for emergency medical response during the ongoing pandemic. The CFO was proud and pleased of the HMI report.

He added that the original audit report had provided the service the capacity to support the improvement journey. In addition, lessons had also been learnt from Senior Officers in Children's Services and GFRS had benefited from that knowledge. Members noted that GFRS were now closing some of the audit recommendations and there had been a cultural improvement within GFRS, as the applied approach was comprehensive and went beyond the audit reports.

In response to a question, members were advised that the CFO had driven the service hard to deliver the recommendations and that GFRS staff had worked tirelessly through Covid. The service continued to focus on improvement and he appreciated the efforts of his staff and ARA's support for the benefit of GFRS. The CFO hoped to close down all the 118 original recommendations by the end of this financial year, which had been a phenomenal task.

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The Cabinet Member for Public Protection, Parking and Libraries fully supported the CFO statement. He added that the Improvement Board had kept up the pressure and middle management had gone above and beyond to overcome the difficulties, especially during the pandemic. He felt that GFRS had very intelligent and forward thinking firefighters and he was immensely proud of what they had achieved.

A member remarked that the cultural change within GFRS was fantastic and was very positive and he wished to thank the CFO and his team for all their efforts during the flooding and the pandemic. This sentiment was echoed by the Committee.

#### **4. Recruitment and retention**

Colin Parkin, Head of Human Resources reported that staffing issues were not unique to GCC, as there was a national labour market shortage. GCC was actively investing in longer term solutions, which included traineeships and apprenticeships, which would reap results over time. The Committee were advised that the issues of staff recruitment won't go away.

In response to a question relating to staffing impact on children services in light of Covid, Officers explained that there were robust contingency plans in place, as there was a steady and substantial growth of children in care. This situation had not come to fruition yet but Officers were closely monitoring the situation.

Members wished to know the position of non-Covid staff sickness rates and annual leave, during the period of home working. The Head of Human Resources explained that they were actively encouraging staff to take their annual leave, as there was a limit on the amount of leave that could be carried forward. In terms of staff sickness the rates had fallen compared to last year.

#### **5. Covid Impact on Governance**

Rob Ayliffe, Monitoring Officer advised the Committee that there were four areas impacted, these were:

- Management Leadership of Response: regular meetings were undertaken to respond to the latest situation
- Management of Business Continuity: to identify any changes of legislation/guidance and respond quickly and appropriately
- Impact of remote working: originally decisions made by delegated powers and procedures were followed to maintain standards of governance
- Impact of remote working on the general workforce: the impact and rollout of equipment to staff to enable home working

The Executive Director of Corporate Resources explained that remote working after Covid would likely continue and there maybe a blended approach of working. He added that there had been positive comments to date from staff.

During the discussion, one member referred to page 157 of the report and the Council/Committee meetings being suspended. It was confirmed that page 157 was relevant to the reported position at the point of the 19/20 Annual Governance

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Statement and had been superseded by the reported action's 'position as at December 2020' update section.

Members wished to record their thanks to Democratic Services, Registration Service and Information and Communication Technology for their outstanding support during the pandemic.

The Committee also wondered if a 'Lessons Learnt' exercise would be conducted, in order to provide additional guidance going forward. The Executive Director of Corporate Resources added that he welcomed comments and the service was actively working to upgrade systems. He accepted that it was necessary to listen to staff to understand the issues, and to ascertain why home working was not working for some members of staff. Members were advised that there was an agile working officer group and that lessons learnt would be looked at in the future.

**Resolved**

**That the report be noted.**

**9. GFRS PROGRESS REPORT**

It was noted that this item was duly considered as part of the previous agenda item.

**10. ANNUAL SCHOOLS ASSURANCE STATEMENTS 2019-20**

Jane Lloyd Davies, Head of Education Outcomes and Intervention presented the report in detail. The report provided the Committee with an annual report on school assurance statements provided by the governing boards of Local Authority (LA) maintained schools and that the statements met reporting requirements.

The Committee discussed the findings in the report and took reasonable assurance that the approach taken by Education was adequate and operated effectively. The Group Manager, ARA noted that the 7% of the annual internal audit plan was dedicated to schools audits and that schools were selected for review based on risk assessment, considering a number of themes (which included consultation with the various education departments). Members were advised that schools audits for 2020/21 were currently being conducted remotely through a successful pilot audit approach and that discussions were being taken forward by the Chief Internal Auditor and Director of Children's Services to enable wider roll out of this approach.

**Resolved**

**That the report be noted.**

**11. LIMITED ASSURANCE REPORTS**

**Disposal of Vehicle Assets:** Phil Williams, Lead Commissioner for Community and Infrastructure presented the report and was supported by Johanne Savell, Contract Compliance Lead Officer. Members were advised that a considerable

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amount of work had been undertaken to update the Council's policy on vehicle disposals. It was explained that the officers continued to evolve the procedure, in order to reflect best practice and ensure that a fit for purpose policy was now in place.

In response to a question, only 3 vehicles had been disposed off within the last twelve months. The Committee were advised that the Authority had a mixture of lease and owned vehicles within its fleet, however the resale value of a lease vehicle depended on its condition. The Authority had the option to purchase the vehicle at the end of its lease or to return the vehicle to the lease company.

Members were advised that staff were unable to purchase the vehicle directly from the Authority and staff who wished to purchase the vehicle would have to contact the lease company and make their own enquiries.

**Unregulated Placements (Commissioning):** Andy Dempsey, Director of Partnerships & Strategy presented the report. He accepted that the situation was exceptional and senior management would continue to oversee the area. During the discussion, members agreed that this area should be included and monitored within the Internal Audit Plan.

**Unregulated Placements (Fostering):** Gill Horrobin, Interim Strategic Lead for Children in Care presented the report and advised the Committee that there was now a significant management oversight of this area, to ensure there was full compliance with child social care. Members noted that an 'Entry to Care Panel' had been appointed and would ensure that compliance was adhered too. In response to a question, it was explained that sometimes children needed to be placed urgently and that children were spoken to on their own to ensure they had the opportunity to speak open, in order to clearly determine the child's view.

**Direct Awards (Sole Source Approvals):** Ian Mawdsley, Head of Commercial presented the report and advised the Committee that Direct Award contracts were awarded without competition. He added that new improved measures were now in place and this area would be put back on Systems, Applications and Products (SAP) to enable contracts to be monitored.

The Executive Director of Corporate Resources explained they were reviewing the procurement plan, to ensure that due process was followed. In effect making it easier to do the right thing and harder to do the wrong thing. The procurement transformation plan would look at local spend, and where possible award contracts locally, to keep the spend within Gloucestershire.

The Group Manager, ARA confirmed that all four areas would be included within the proposed Internal Audit Plan 2021/22 for internal audit follow up review. To provide independent assurance to Committee that the audit recommendations had been implemented.

**Resolved**

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**That the Limited Assurance Reports be noted.**

**12. WHISTLEBLOWING POLICY**

Rob Ayliffe, Monitoring Officer presented the report and advised the Committee that this item would be an annual report in the future. Members discussed the report and agreed with the recommendation.

**Resolved**

**That the Committee noted the report and supported the commitment to undertake a self-assessment against the Protect Best Practice framework.**

**13. INDEPENDENT PERSONS REPORT**

Simon Harper, Head of Democratic Services presented the report in detail. It was explained that the intention was to appoint some new Independent Persons ahead of the Annual Meeting of Council in May 2021.

**Resolved**

**That the Committee noted the process for the appointment of Independent Persons.**

**CHAIRPERSON**

Meeting concluded at 12.55 pm