

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Thursday 25 March 2021 commencing at 10.00 am at the .

PRESENT MEMBERSHIP:

Cllr Andrew Gravells MBE	Cllr John Payne
Cllr Colin Hay	Cllr Nigel Robbins OBE (Chairman)
Cllr Brian Oosthuysen	Cllr Brian Tipper
Cllr Shaun Parsons	Cllr Will Windsor-Clive

Substitutes: Cllr Stephen Hirst

Apologies: Cllr Bernard Fisher, Cllr Alan Preest and Cllr Ray Theodoulou

14. DECLARATIONS OF INTEREST

No declarations of interest were made.

15. MINUTES OF THE PREVIOUS MEETING

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

Resolved

That the minutes of the meeting held on the 22nd January 2021 be approved as a correct record and signed by the Chairperson.

16. 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.

The Committee were introduced to Alex Walling, Engagement Lead from Grant Thornton, it was noted she would be replacing Pete Barber in due course.

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 Engagement Lead updated the Committee as to the current position, it was noted that both parties had sought a further extension in order to respond accordingly. Members were advised that the final date for the submission of response was the 14th April 2021. Grant Thornton

reiterated they would duly consider the submissions before any decisions were taken.

The Committee noted the issues at a national level with the Whole Government Accounts submission which had prevented the Council from updating their submission had now been resolved and Grant Thornton had now completed their review and submission their assurance statements confirming that the final submission was consistent with the Council's published financial statements on the 4th February 2021.

The Director of Finance wished to thank Pete Barber for all his work supporting the Authority over the last three years and the cooperation of his team, especially during the course of the pandemic. In what had proved to be challenging times given the need for remote working. He added that it been a remarkable effort by Pete and his team to get the accounts finalised by the deadline. He wished him well for the future. The Chairman also thanked him for his patience and clarity at Committee meetings.

A member referred to the VFM aspect and questioned the public interest report delays which would prevent the report from being published until after the elections, he added he was suspicious of such activity.

A member added he understood the frustration but the Committee were unable to discuss an unpublished report and it would be wrong to discuss it further.

The Chairman advised the Committee that a discussion would take place at the next agenda item.

Alex Walling, Grant Thornton continued to present the report in detail and advised Committee of the audit planning arrangements, significant risks and the governance arrangements.

Members were advised that the revised code was more complex and would lead to a more in-depth review of Council arrangements. 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 new process going forward.

During the discussion members questioned Grant Thornton's need to duplicate the actuarial estimated valuation of the Pensions Fund. The Director of Finance explained that the valuation was undertaken by Hymans (a professional actuary) then challenged by officers and the Pension Committee. In addition the Council had an independent investment advisor to ensure assumptions of actuary were robust. So the pension fund estimates were robustly challenged already but it was noted that Grant Thornton were now required to have an overall view and where necessary present a further challenge.

Resolved

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That the report be noted.

17. AUDIT & GOVERNANCE AND THE INDEPENDENT GRANT THORNTON REPORT

The Chairman introduced the item and made the following statement:

“It been almost four years since the statement of accounts was challenged by a group called Community R4C (CR4C), in respect of the 2013 contract with Urbaser Balfour Beatty (UBB) for the provision of a waste incinerator and its revision in 2016. Grant Thornton agreed to commission a public interest report bearing on the procurement process undertaken and the value for money aspects of the contracts.

As a consequence the external auditor had been unable to confirm the Value for Money (VFM) aspect, as we know of the County council's annual accounts to this day, John Gregory from GT was instructed to undertake this investigation, in what was described at the time as a quasi-judicial function, which was quite separate from their auditing service. Councillors will also recall that this is the first and only time in four years that we have been presented with the opportunity to discuss this unique situation. In introducing this subject to the agenda of Audit and Governance and the Independent Grant Thornton Report, I intend our focus to be on the former rather than the latter, as it was not possible to discuss the report itself, because after four years it had not been delivered.

But it is my intention to indicate why that is the case and what the consequences of that might be. As far as declarations of interests were concerned, I like other members of the committee have been lobbied by CR4C with their arguments. Along with other members I was shouted at by Mr Jarman when he attended this Committee meeting, nearly four years ago.

At that point I stopped reading the CR4C organisation statements and only picked up the threads again last December, when I had reason to believe a report was being prepared for publication. In the meantime, I responded once only to Mr Jarman's frequent requests for conversation, and that was in July 2019 to assure him that yes the committee would undoubtedly discuss and analyse the report when it was published. I never replied to the intermittent flood of emails received, I do notice that ever since his personal appearance here, he and his colleagues at CR4C have consistently referred to the A&G committee with respectful terms.

Again from a personal perspective, you will appreciate that this issue and the barriers in the way of discussing it here, have acted as a cloud over my period of chairmanship. Not helped by the intervention of his predecessor from 2017 to 2019. I expressed my frustration on a number of occasions, echoing that of many my colleagues around this virtual table.

This issue of enforced silence does matter, every training session on governance I have ever taken part in, and has stressed the importance of A&G or in company terms of the Audit Committee as being supremely important in overseeing the probity, integrity and health of the organisation it serves.

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It's almost like the conscience of the organisation. When it comes to evaluating the effectiveness of an Audit Committee, the ultimate test is the openness and transparency of its approach and how to expect this of the component parts of the body it represents, whether or not it operates in closed session, it's obviously better than it doesn't. It should expect to leave no stone unturned, I'm afraid we've not been able to rise to that standard.

Nor is the issue underlying the appellants complaint insignificant, whether or not GCC complied with the operational procurement laws of European Union or whether the estimated cost of cancelling the original contract of £100 million was correct or whether a proper value for money assessment was made at the time of the contract provision, result in an additional possible payment of an extra £163m of ratepayers money, these are not negligible matters.

As far as I can understand these things, the legality of the procurement arrangements was not something that the High Court Judge felt able to pronounce on. The Information Commissioner, however, compelled the authority to release most of the UBB contract details in 2017. Previous to that commercial in confidence was given as the reason for keeping shtum about the contract cost, next the judicial review was cited as the reason why we could not discuss the case. Since then delays in issuing the report had been cited by Grant Thornton as reasons for the continuing silence.

Although John Gregory did appear once, to explain to us the processes being followed. After huge unexplained delays, during which time the council did not attempt to explain to us what their position was, we understood that the investigators provisional views were ready on December 15th to be presented for comment to the appellant and for the council for their comment. A strange procedure this, if it was supposed to be quasi-judicial, do we imagine that James Hamilton QC in giving judgement in the case of whether the first minister for Scotland had broken the ministerial code would have invited comment from the conflicting parties before delivering judgement.

This process sounds more like arbitration, than an independent quasi-judicial process, more quasi than judicial. January 22nd was the deadline set for the parties to comment, the very day of this previous committee's meeting. At which point the authority's representatives, as you've already been told asked for a further short extension, not content with this which expired towards the end of 19th February. GCC then asked for yet a further extension to enable them to supply, as a respected Authority informs me, with additional information with a deadline, wait for it of today, Thursday the 25th of March. Just in time for purdah and sealing of any political incriminating or otherwise influential actions by local authorities, including public interest reports but too late for the report to be issued and considered by this committee.

Looking at CR4C representations, which I have done on January 21st, just before the first deadline for comments and on January 25th this year, it is difficult to find any additional information which had not be presented on previous occasions, they

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are the reworking of earlier arguments. What is the authority doing presenting new information at this point. Given that over two years had passed since they dropped the case against the information commissioner's disclosure intention.

If John Gregory was aware that Audit & Governance met today, the date had long since been in the public diary and then it was remiss of him to deny us the opportunity to consider his findings. If he did not know, then it was remiss of his GT colleagues not to inform him, or perhaps our colleagues in the administration reminded him or perhaps they did not.

It's difficult to draw any other conclusion from these events and than our authority had tried to delay the report publication, until it could be safely protected by the institution of purdah. Why would GCC wish to prevent the publication of this oh so long awaited reported, the disclosure by the Information Commissioner of previously concealed information may have been an embarrassing but it didn't appear to particularly upset the administration.

It's unlikely that something similar in 2019 or the early part of 2020, would have produced more than a tremor, so what is it in this second set of provisional views that drove us, for the GCC is us, whether we like it or not, to manoeuvre as to delay the report's publication, we can only guess. Not having been presented with the report, we can only guess that it contains substantial criticisms and that these relate to the original concerns about the thoroughness of the VFM assessment of the revised contract of 2016, conducted by the Authority with the assistance of Ernst Young and possibly to the reliability of the estimates for the effect of cancelling the 2013 contract and starting again.

It may of course be that the authorities lobbying, for this is what the process looks like from here would have diluted the reports provisional views. I hope not for the author's sake but he would need to be very strong to withstand the sustained pressure he appears to be subjected to from both sides. Whether or not the incinerator contractor proves to be VFM for the Gloucestershire rate payer that cannot be determined at this point, as the contract runs for 25 years.

As the high initial gate costs reduce, as the landfill charges were expected to increase and we should not see ourselves in credit, compared with other alternatives for some time to come. Colleagues may remember that I crossed swords with Paul Blacker at this point, this is the irony of ironies, and a public interest report can't speculate on this, it concentrates on processes and behaviours. My conclusions are that there needs to be an altogether greater degree of transparency and openness within the authority, when it comes to big ticket items, such as this and that the Audit & Governance Committee has been treated with such disrespect, that this must diminish its authority and this should not be."

Councillor Hay agreed with the Chairman's statement and added the fact that this was the second time before an election that a major report hadn't been available to public. He felt elections were about electors being able to judge the record of any administration, the people who were standing for election and their view. This was such a substantial item and delaying the publication would have a major impact on

the election because the report would be critical. He questioned why else would it need to be so much time to try and change comments from the independent assessor. Cllr Hay referred to the children services report, and remarked that wasn't released until after the election and that could have had quite an impact on electors and how they made their decisions four years go.

Cllr Hay stated that it went to the heart of the culture of this organisation and what it currently sought to do. He felt that the council needed to be open with the public and that meant the good things and the bad things. He felt the public had a greater understanding, and they were actually much more likely to be sympathetic to any organisation that made mistakes and held their hands up.

Cllr Hay suggested if the report gave the council a clean bill of health, then there would be no objections or representations made to the independent auditor. He was extremely worried and felt this was a very dangerous situation around democracy and was hugely disappointed that the report had been kept from the Committee.

Councillor Windsor Clive fully understood member's frustration, but felt some members were in great danger of guessing what was within a report, without the facts. He felt accusing independent auditors at playing politics was outrageous. He reiterated that the report was not published, so members were unable to pass comment on the contents and some members were smearing the independent auditors and that was wrong. He concluded that it would be nice to have the report to discuss openly but the Committee would have to wait for the report to be published and in the meantime they should leave it to the professionals.

The Chairman appreciated the contribution Grant Thornton Auditors made to the Authority but he felt the committee were told it was a quasi-judicial process. He felt this was not a quasi-judicial process and in terms of the judicial review and legal process it was unfair, unrealistic and diminished the role of the Committee.

The External Auditor informed the committee that the request for extension had been received from both parties and no decision had been taken in terms of the final format of the report as yet.

The Chair referred to GT report and the VFM commentary that organisations should make more use of the public interest disclosure. He felt the role of the committee was further diminished and public interest disclosures should be completed within a specific timetable, as not to allow both parties to keep the procedure ongoing indefinitely and that what was most frustrating.

Cllr Tipper remarked sub judice was part of this event over a long period of time. Therefore, there were limitations on what could and couldn't be said under the legal process. He felt chairman was slighting the process at shire hall and the legal process. Cllr Tipper requested the term sub judice be included within the minutes "a definition of it is "under judicial consideration and therefore prohibited from public discussion elsewhere". Cllr Tipper requested advice be sought from the appropriate experts.

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The Chairman disagreed, he felt the process instituted four years ago was considerably different to the process now. Cllr Tipper disagreed with this point and added he was proud to sit on the Audit & Governance Committee.

Cllr Hay felt the role of the Committee in order to improve should react, as soon as issues were raised. He added by the time they serious case reviews had concluded and published its findings, the learning has already taken place.

Cllr Tipper reiterated the more the serious case, the more the need for sub judice and recommended to the Committee, they consider the situation and the need to obey the law. He felt some members were making mockery of the process.

The Chairman thanked members for the discussion.

18. INTERNAL AUDIT PLAN

Piyush Fatania, Chief Internal Auditor (CIA) presented the report and explained that the plan was as result of the risk based internal audit planning review and consultation exercise. Members were advised the plan had input from CLT, senior management, third party assurance providers and items raised by Committee/Members within the year.

The Plan covered a breadth of areas, reflecting the Council's service areas as well as Council wide reviews and Covid-19 relevant risk themes and was based on 1,825 audit assurance days, in line with the 20/21 Plan. The Committee noted the audit plan remained fit for purpose, responsive and continued to reflect the risk profile and assurance needs of the Council.

Members raised the issue of local flood risk management, during the discussion it was noted that the presumption was that the Environment Agency (EA) would take the lead on this issue. Members remarked that in light of the various episodes of flooding in the County, the EA had evidently failed to take the lead. It was suggested that perhaps GCC should become more involved and take the lead instead

In response to a question, it was noted that in terms of the risk register, each item was owned by a Director and Cabinet Member. In addition, Cabinet, Corporate Leadership Team and Corporate Overview Scrutiny Committee scrutinised the management of those risks in detail.

Resolved

The Committee noted the Internal Audit Plan for 2021/22 reflected the risk profile of the Council and approved the 2021/22 Internal Audit Plan.

19. INTERNAL AUDIT ACTIVITY PROGRESS REPORT

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Piyush Fatania, CIA, 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 January to February 2021 including the opinions provided on risk and control. The report also focused on the Counter Fraud Team update and the additional activities ARA had progressed due to the risks from and impact of Covid 19.

Members were advised it was a lighter report than in January 2021, due to the shorter timeframe between respective Committee meetings.

The Committee noted two limited assurance outcomes, these related to:

- Council CCTV usage: it was noted the review was originally requested by lead officers and audit findings were supported, verbal assurance had already been received from the Head of Information Management Services that recommendation implementation was already underway.
- Expenses and benefits : Findings and recommendations had been agreed with senior management.

The Committee requested Senior Management attendance at the next meeting of Committee, to provide management update on both the limited assurance outcomes, and to confirm the actions taken in relation to the audit recommendations.

It was noted that all other confirmed assurance outcomes were relevant to consultancy activities including a targeted data matching and analytics piece of work completed with NHS Gloucestershire Clinical Commissioning Group, and/or grant claim review & certification.

Resolved

That the Committee noted the report and requested senior management attendance at the July Meeting to provide an update in relation to the two limited assurance reports.

20. LIMITED ASSURANCE MANAGEMENT UPDATES

Richard Thorne, Lead Officer: Client Affairs advised the Committee that the report on Client Affairs reflected a positive direction of travel since the original audit. Members noted in terms of lease vehicles, driver's details were now verified and would continue to be reviewed on a yearly basis.

In response to a question relating to prepaid cards, it was explained that prepaid cards related to the Clients personal funds and it was up to the client how they wished to spend it. In some circumstances, a prepaid card was issued to a family member or carer who monitored the card on the client's behalf.

It was noted that a Client Affairs follow up internal audit had been included in the proposed Internal Audit Plan 2021/22.

Resolved

That the Limited Assurance Report be noted.

21. GFRS PROGRESS REPORT

The CIA introduced the report and advised Members this was the third update report to Committee. The report confirmed the position as at February 2021 and reflected a positive direction of travel regarding GFRS Board actions and those verified and implemented by Internal Audit through review & testing.

It was noted that GFRS Board had made further progress against actions through its March 2021 Board meeting. The CIA explained this was the penultimate report.

The Chief Fire Officer and Cllr Norman, Cabinet Member for Public Protection, parking and Libraries attended the meeting.

The Cabinet Member explained that GFRS had been on journey for the last eighteen months, which had resulted in positive achievements and outcomes being made. It was noted that the HMI recognised the efforts made by the service and the additional challenge placed upon the service by Audit, Risk & Assurance (ARA).

The Cabinet Member was incredibly proud of the efforts made by staff within GFRS, especially in light of their efforts during the Covid Pandemic to overcome the challenges.

It was noted that GFRS wouldn't be the only service with culture problems and it wasn't possible to change those issues overnight, it was necessary to involve all parties in the service are in order to bring about change and move forward with the cultural journey. The Cabinet Member recognised this was an ongoing journey but welcomed the change to the service.

The CFO explained a positive culture was built on the foundations of sound governance. He felt the service had drastically improved and ARA had consulted and supported the service over the last three years. GFRS had recently presented a culture report to Corporate Leadership Team on the progress and development within the service. It was noted that the service strived to be open, transparent, while actively encouraging representation from under represented groups, staff engagement, etc., in order to develop the service going forward.

The development of a cultural action plan had seen sickness and absence levels decrease and a change in focus enabled staff to support the organisation to bring about cultural change. As staff could now see that they could challenge and would be listened too. The CFO recognised that there will still some pockets of bullying, racism and misogyny. It was noted that the newly appointed CFO would continue to drive the service in a positive way forward.

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A member quoted a maxim of there was “no such thing as a bad soldier, only a bad officer”; he added in turn of good leadership, good things would follow. He also wished to thank the Cabinet Member for his continued support of GFRS.

The chairman thanked the CFO and the Cabinet Member for their regular attendance at the Committee and wished them well.

Resolved

That the report be noted.

22. LGA CODE OF CONDUCT

Rob Ayliffe, Monitoring Officer presented the report in detail and advised the Committee there was currently a mixed approach to the Code of Conduct across the County and District Councils. It was noted the County Monitoring Officers Group felt it would be beneficial to adopt a common code across Gloucestershire.

The Committee discussed the various codes in use across the County and welcomed the approach of a universal code. It was suggested that when adopted perhaps the code it could be disseminated to Town and Parish Councils, in an effort to adopt a unified common code.

Resolved

That the Committee noted the LGA’s new Model Code of Conduct and supported the recommendation to work with Gloucestershire’s District Councils with a view to developing a common Code of Conduct across Gloucestershire.

23. OTHER BUSINESS

The Chairman wished to thank the Committee and Officers for their time, help and support. The Chairman also wished to record that he appreciated the late Cllr Roger Wilson’s efforts on the Committee.

Members thanked the Chairman and wished him well in his retirement.

CHAIRPERSON

Meeting concluded at 11.56 am