

# AUDIT AND GOVERNANCE COMMITTEE

**MINUTES of the meeting of the Audit and Governance Committee held virtually on Friday 21 January 2022 commencing at 10.00 am.**

## **PRESENT MEMBERSHIP:**

Cllr Matt Babbage	Cllr Stephen Hirst
Cllr John Bloxsom	Cllr Brian Tipper
Clowes	Cllr Chloe Turner
Cllr Stephan Fifield (Vice-Chair)	Cllr Susan Williams
Cllr Colin Hay (Chairman)	Cllr Dr David Willingham

## **Substitutes:**

**Apologies:** Cllr Alex Hegenbarth and Cllr Alan Preest

## **1. DECLARATIONS OF INTEREST**

No declarations of interest were made.

## **2. PUBLIC QUESTIONS**

No public questions were received.

## **3. MEMBER QUESTIONS**

No member questions were received.

## **4. MINUTES OF THE PREVIOUS MEETING**

### **Resolved**

**That the minutes of the meeting held on the 28<sup>th</sup> September 2021 were approved as a correct record.**

## **5. GRANT THORNTON AUDIT PROGRESS REPORT**

David Johnson, Manager, Grant Thornton presented the report, which detailed the progress Grant Thornton (GT) had made in delivering their responsibilities as the external auditors.

Members were advised that GT had been unable to issue the certificate to close the audit as the following areas had yet to be completed:

- Issuing of the Auditor's Annual Report summarising their work on the Council's value for money arrangements

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- Audit and submission of the Whole of Government Accounts return. GT were still waiting for the NAO to issue the testing guidance and would inform members of any findings when this work was completed.

It was explained that the objection work in relation to the Waste PFI Contract was now completed and as a result GT had been able to issue the certificates, signalling the closing of the accounts, and the VfM conclusion for all audit years from 2016/17 to 2019/20.

In response to a question, members were advised that the signing of the statement of accounts deadline would now be the 30<sup>th</sup> November 2022. The Chair wished to extend his thanks to the GCC Finance Team and GT for completing the accounts in a timely manner during the pandemic.

Members questioned the recent cyber attack at Gloucester City Council and requested confirmation that GCC systems were regularly backed up. Officers explained that Gloucester City Council were still analysing the nature of the attack. Members were reassured that business continuity was under active review, as a matter of course. The Executive Director of Corporate Resources advised the Committee that the cyber attack was wider than local Government and additional work was already being undertaken and information would be shared through emergency planning procedures. A contingency was incorporated into the MTFS to invest, strengthen and recognise the risks.

During the discussion, it was requested for the benefit of new members that additional information relating to the service review tables on page 23 of the report be circulated. (Action – DJ)

## **Resolved**

**That the report be noted.**

## **6. TREASURY MANAGEMENT STRATEGY**

Paul Blacker, Director of Finance presented the proposed Capital Strategy, Treasury Management Strategy Statement and Investment Strategy for 2022/23, 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 2022/23, 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.

Members were reminded that details of the Investments within the strategy were covered in detail at the Treasury Management training session provided by Arlingclose on the 14th January 2022.

IN response to a question, members were informed that Fire was possibly the largest PFI Contract and waste was included as a lease within the reported figures. The Executive Director accepted this was a fair challenge and explained that large contracts were regularly reviewed to ensure the appropriate insurances were in place. The Committee requested further information on PFI contracts at a future meeting.

Ethical Investment Policies were raised during the discussion, members welcomed the decision to not invest in fossil fuel funds. The Director of Finance explained there was no formal Ethical Investments Policy in place at the moment. Members wondered if the investment policy could be extended to include the exclusion of tobacco, pornography, gambling, etc. The Director of Finance explained the investment policy was only applied to fossil fuels and there was no one clear definition of Environmental, Social & Governance (ESG). He advised members that the new prudential code for 2023/24 would consider ESG issues in more detail. The Committee felt it would be beneficial for officers to liaise with other councils, in order to gain further clarity on ethical investments.

### **Resolved**

**That the Capital Strategy, Treasury Management Strategy Statement and Investment Strategy 2022/23 be commended for approval by Council.**

## **7. ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE**

Darren Skinner, Head of Planning, Performance & Improvement, presented the report. The Committee were also asked to consider if there were any further assurances they would like considered in the AGS for 2021/22.

The Council Annual Governance Statement (AGS) 2020/21 included 7 actions to further enhance governance arrangements. This report included 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:

Members referred to page 73 of the report and the questioned the 20% agency workforce figure. The Director of Partnerships & Strategy explained the agency staff figure had increased slightly due to the number of case work loads, vacancies

and staff turnover. It was recognised that the delay in the Ofsted Inspection compounded this issue further.

During the discussion, members queried the significant overspend of children's services and felt that there was something inherently wrong with the funding levels. The Director explained that that additional resources and funding had been inputted into the service since 2016/17, this was in order to turn around a legacy of poor practice. He informed members there was a national increase in the number of children in care and the Government changes to the unregulated placements had an adverse impact on the service area. Also the inadequate Ofsted rating brought a lack of confidence in the service, which impacted on the recruitment of staff. Members were reminded that Covid had reduced the availability of care placements, therefore the costs had accelerated.

The Executive Director explained that the Authority could not set volatile budgets and it was necessary to do the best estimate with the information that was available at that time. There were no contingency funds and the money would have to be taken from another service area, therefore under and over spends were managed across the Council. It was recognised this was a national issue. Officers hoped that the Ofsted Inspection would take place sooner rather than later as the service needed to move forward on its improvement journey.

Members recognised and shared officers concerns and agreed there were structural and systemic issues to overcome.

**Resolved**

**That the Committee reviewed the progress made against the key issues and noted the report.**

## **8. RISK MANAGEMENT POLICY STATEMENT AND STRATEGY 2022-2025**

The Head of Planning, Performance and Improvement presented the report in detail. It was explained the RMPS&S 2022-2025 was a vital part of the Council's governance framework, and failure to review and update it regularly meant it would become out of date.

It was reported there had been no significant changes to the overall risk management framework represented in the strategy, but the revised document reflected updated roles and responsibilities, especially in regard to the move of Risk Management ownership from Internal Audit (ARA) to the Planning, Performance and Change Service. It also reflected some of the improvements made in the alignment of performance and risk information, and the revised role of the GCC Risk Management Group.

The Committee were advised that an independent Risk Management review was currently being undertaken, as a result there could be additional actions required. A separate report on this review would be presented to next committee meeting.

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During the discussion, it was noted that Risk management was constitutionally difficult to grasp and required both Audit & Governance and the appropriate scrutiny committee to monitor this element. In terms of this committee it was a question of 'How things were being done' and for scrutiny the question was 'why things were done'. It was agreed that a Risk Management Training Session would be beneficial to develop members understanding. (Action: DS/AG).

Members welcomed this approach given the split responsibilities between committee's, they felt this would widen their understanding and ensure that nothing fell through the gap.

### **Resolved**

**That the Committee fully endorsed the revised Risk Management Policy Statement and Strategy 2022-2025.**

## **9. INTERNAL AUDIT ACTIVITY PROGRESS REPORT**

Piyush Fatania, Head of Audit Risk Assurance (ARA) presented the report which informed members on the progress of the internal audit activity in relation to the 2021/2022 Revised Internal Audit Plan and provided a progress report on the internal audit outcomes from the period October to December 2021 including the opinions provided on risk and control.

In response to a question, it was explained that checks on bank accounts were carried out to ensure their validity in order to prevent payment errors.

Members were advised that all priority one audits would be completed this year, the delay in some cases was due to officer availability during the pandemic. The Head of ARA wished to congratulate the team on their efforts throughout the lockdown period and their resourceful methods of working in order to undertake the scheduled audits.

### **Resolved**

**That the Committee noted the report.**

## **10. GFRS: INTERNAL AUDIT FINAL PROGRESS REPORT**

The Head of ARA presented the report and advised the Committee that the purpose of the report was to provide assurance to the Audit and Governance Committee that the Internal Audit recommendations made in relation to the independent investigation of GFRS had been addressed. The Committee noted this was the final progress report and the Improvement Board had signed off all of the 124 actions.

Officers explained in the context, procurement had a wider corporate impact and was being dealt with by Internal Audit and would carry this piece of work forward going into 2022/23.

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Mark Preece, Chief Fire Officer wished to thank GFRS staff for their extenuating efforts to complete all of recommendations.

During the discussion, members questioned the human resource matters in terms of gender balance and diversity. The Chief Fire Officer explained that GFRS had a highest proportion of female staff but he accepted more work was needed to be done in order to recruit from ethnic backgrounds and more work was done in the local community to build those positive relationships going forward.

In response to a question, it was explained feedback forms were completed and generally internal audit was well received, the results were used their own performance management. The Executive Director explained as the Section 151 officer he relied on Internal Audit for assurance and the feedback received was largely positive.

The Chief Fire Officer advised the Committee that the Fire Service had its own inspectorate and Internal Audit worked collaboratively in accordance with the work pressures and this was greatly appreciated.

**Resolved**

**That the Committee noted the final progress report.**

**11. LIMITED ASSURANCE REPORT**

Philip Williams, Lead Commissioner for Community Infrastructure presented the report in detail and advised the Committee that recommendation 4 was outstanding and he expected this work to be completed by the end of March 2022.

Members read the report with interest and recognised that there was a life expectancy in terms of the assets given the various compounds.. It was explained the new signals were installed with LED lights and had a longer life expectancy, therefore assets needed to be resilient and maintainable.

Liz Kirkham, Highways Operations Manager informed the Committee that they had been successful in securing a bid for an additional £250k, which would cover existing planned works for 2022/23.

**Resolved**

**That the report be noted.**

**12. ANTI BRIBERY POLICY & MONEY LAUNDERING POLICY**

The Director Finance advised the Committee that the policy was updated to take account of the Criminal Finances Act 2017 and the Money Laundering Regulations

2017. It was noted this report was last presented to the Committee on the 6<sup>th</sup> April 2018.

Members noted that Internal Audit and Strategic Finance had worked together to produce an Anti Money Laundering Policy to raise awareness within the organisation of the responsibilities of all employees as well as providing guidance on how concerns should be raised.

**Resolved**

**That the report be noted.**

**13. GCC COMPLAINTS: POLICY, SYSTEM & CULTURE**

Rob Ayliffe, Monitoring Officer presented a brief overview of the Council's arrangements for handling complaints and assured Members that appropriate processes were in place.

The Committee were asked to consider the Council's arrangements for handling complaints and considers whether it wishes to make and comments or recommendations on those arrangements.

The Monitoring Officer recognised the Complaints team did a great job and the majority of complaints were resolved informally at stage 1. The Committee were reminded that this item was also closely linked with the next agenda item, Local Government & Social Care Ombudsman (LG&SO) Annual Review Letter.

It was confirmed that the team dealt with compliments too and perhaps that should also be highlighted. Members were advised that compliments were recorded within the annual report and were shared with the relevant Directors and Heads of Service.

Member's attention was drawn to the various complaint stages as detailed on page 172 of the report. The Committee recognised the number of complaints upheld by the LG&SO had increased since 2016/17. Officers explained that some faults were dismissed by the LG&SO as the appropriate complaints procedures had not necessarily been followed by the complainant. The Monitoring Officer explained that service area reports on the number of complaints were also presented to the appropriate scrutiny committee.

The varying levels of complaints were clarified for the benefit of the Committee. It was noted that management would continue to monitor the number of complaints and that GCC was in a similar position to other authorities.

It was recognised that some complaints, while handled appropriately, would continue to escalate if the complainant did not get the outcome they wanted. The Complaints Manager explained that his team had extensive knowledge and had a good culture of openness and responsiveness.

Members referred to the public interest report, officers explained that lessons had been learnt and structures were now in place. It was noted that statutory officers had oversight of the complaints process and the legal team added value to the process.

**Resolved**

**That the Committee noted the report.**

**14. LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN'S ANNUAL REVIEW LETTER**

Bonnie Styles, Principal Lawyer presented the report which detailed the Council's arrangements for handling complaints and investigations by the Local Government Ombudsman (LGO). Members were referred to the table on page 179 of the report, which gave a summary of the complaints for 2020/21.

It was noted that out of the 56 complaints, 20 detailed investigations were carried out. Of the 20, 9 were not upheld and 11 were upheld by the LGO. The 11 upheld cases were all resolved in accordance with the LGO's recommendations.

Members were informed that GCC took all complaints seriously and learnt from them and were regularly reviewed by Chief Executive, Monitoring Officer and the Chief Finance Officer.

**Resolved**

**That the report be noted.**

**15. WHISTLE BLOWING ANNUAL REPORT**

The report was presented by the Monitoring Officer and it was explained that the whistleblowing policy allowed for concerns to be raised at three levels:

- Level 1- In the first instance, employees were encouraged to raise concerns with their line manager or team leader
- Level 2 - If they felt unable to do this, they could raise the matter with any of the following: their Head of Service, Assistant Director, Director or Executive Director; the Chief Internal Auditor; the Head of Human Resources; the Assistant Director of Legal Services; (in the case of schools) the Director of Education.
- Level 3 - If concerns remained, or were so serious that the individual does not want to discuss them with any of the above, they could be raised directly with the Monitoring Officer.

The Committee were advised at present the number of Level 1 concerns were unknown. The Monitoring Officer was undertaking an exercise so those figures could be logged and monitored. It was noted that whistle blowers tended to remain

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anonymous, which had its own issues as there was no way of contacting them to obtain additional information if required.

In response to a question, it was explained that it was not possible to compare the number of concerns with other authorities, as all authorities captured the information differently and involved a number of assumptions.

Some members felt the term 'whistleblowing' had its own connotations, the MO explained that it had been rebranded to 'Speak up if it's not right' and this had been communicated to staff throughout the organisation.

### **Resolved**

**That the report be noted**

## **16. MEMBER CODE OF CONDUCT ANNUAL REPORT**

The Monitoring Officer presented the report in detail and explained that in March 2021 this Committee agreed that we should work with Gloucestershire's District Councils towards the development of a common Code of Conduct for Gloucestershire, based on the Model Code produced by the Local Government Association (LGA).

The Committee were made aware that progress on this has been stalled by a number of factors, most notably, an extremely high level of turnover amongst Monitoring Officers at District level. This inevitably made it difficult to secure commitment and continuity. However, in December a way forward was agreed and the MO was optimistic that significant progress towards developing a draft Code by March 2022, which could then form the basis of consultation with our respective Councils and with local Parish and Town Councils.

Members were advised that the MO officer had two independent persons he could consult with if required, and their roles were invaluable and most helpful.

### **Resolved**

**That the report be noted.**

## **17. APPOINTMENT OF EXTERNAL AUDITORS FOR STATEMENT OF ACCOUNTS**

The Director of Finance explained the report outlined options for the appointment of the Council's external audits for a five year period commencing with the 2023/24 Statement of Accounts and allow the Committee to recommend to Council the preferred appointment process.

Members fully supported the collective ability of the Public Sector Audit Appointments (PSAA) to appoint the Auditors for the Authority. The Executive Director explained the rules that governed this process were very strict and were

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adhered too. In response to a question, it was noted that Auditors were revolved in order to keep the process current and avoid complacency.

**Resolved**

**That the Committee recommended to Full Council for consideration at its meeting scheduled for 16th February 2022 acceptance of the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.**

**CHAIRPERSON**

Meeting concluded at 1.05 pm