

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Thursday 25 July 2024 commencing at 10.00 am at the .

PRESENT MEMBERSHIP:

Cllr John Bloxsom (Chair)	Cllr Emma Nelson
Cllr Andrew Gravells MBE	Cllr Alan Preest
Cllr Colin Hay	Cllr Brian Tipper
	Cllr Chloe Turner

Substitutes: Cllr Paul McLain
Cllr Emma Nelson

Apologies: Cllr Matt Babbage, Cllr Tim Harman, Cllr Alex Hegenbarth, Cllr Mark Mackenzie-Charrington and Cllr Dr David Willingham

34. ELECTION OF CHAIRPERSON

Resolved

That Councillor John Bloxsom was appointed as Chairperson for the ensuing civic year.

35. ELECTION OF VICE-CHAIRPERSON

Resolved

That Councillor Tim Harman was appointed as Vice- Chairperson the ensuing civic year.

36. DECLARATIONS OF INTEREST

No declarations of interest were made.

37. PUBLIC QUESTIONS

No public questions were received.

38. MEMBER QUESTIONS

No member questions were received.

39. MINUTES OF THE PREVIOUS MEETING

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In response to a question, members were advised that the Independent Person vacancy was still being advertised, as yet there had been no applications for the position.

Resolved

That the minutes of the meeting held on the 25th April 2024 were approved as a correct record.

40. KPMG AUDIT PLANS FOR GCC & PENSION FUND

Sarah Brown, KPMG presented the report in detail and advised Committee that the Pension Fund Audit Plan had been considered by the Pension Committee. The Committee were informed that the final report was on track to be delivered to the September meeting, subject to any issues that may arise during the audit.

KPMG continued to have regular meetings with the finance team and a timetable had been agreed. In addition, a handover meeting had taken place with the previous external auditor.

Members were advised that materiality and the significant risks remained the same. It was requested that in the future any amendments to the report were clearly highlighted. The Committee were advised that none of the key risks had changed.

The Chair requested KPMG to amend the report which referred to the number of District Councils in the county, as there were 6 and not 7 as stated.

Resolved

That the report be noted.

41. ANNUAL REPORT TREASURY MANAGEMENT

Gareth Rees, Head of Financial Management presented the report, which detailed the performance for the Council's investment and borrowing activities for 2023/24 financial year.

It was reported this year had again been volatile, with bank base rate rising from 4.25% at the start of the year to 5.25% by the end of March 2024. Inflation had fallen back during the year from a high of over 8%, to 3.4% for the final quarter of the year. As a result, external borrowing had been expensive, but the Council had been able to gain on invested income.

The Council had continued to hold longer term borrowing internally, meaning that investment balances were lower, by saving on interest charges which had risen substantially during the year.

It was noted that one short term loan of £10m was needed to manage liquidity during the year this was taken at 5.4% for 6 months and was repaid in full in April 2024. The Committee were also informed that an opportunity arose in June 2023 to repay early £8m of Barclays loans, which were previously LOBO loans, but had the options removed several years ago. As these were very long dated loans with no flexibility, the opportunity was taken, and they were repaid in full. This was in addition to £8m of maturing PWLB loans, which were also repaid and not replaced.

It was reported over the year, the overall borrowing requirement had increased from £466.0m to £478.2m and this increase was as a result of unfunded schemes being included in the approved capital programme. Actual long term external debt, excluding PFI and lease liabilities, had reduced from £239.8m to £223.8m

For the surplus cash investment, the Council achieved an income return of £12.2m (4.4%) which was available to support the Council's Budget. The Council had continued to ensure that money invested was diversified over a range of counterparties to minimise risk. In addition, the Council had invested £5m in a secured investment, whereby the deposit was 100% collateralised.

The Council continued to have a number of more strategic funds whose performance went some way to protect the Council against inflationary losses. However, with the volatility in the markets over recent years, capital values were still below principal values for many of the funds. In total, currently showing a £5m loss on the original value, despite this all the funds continued to pay consistent dividends.

It was noted where funds had suffered from an element of capital loss, the Council could still offset this loss in its annual accounts due to a statutory override. The override had been extended until 31st March 2025, but it was uncertain whether it would continue. In order to manage the risk of the statutory override not being extended, a provision of £6 million was built into the General Reserve that was approved by Council in February 2024.

As the funds were considered longer term investments it was expected that this capital loss would be recovered over the next few years.

Despite these longer-term investments, the Council had maintained liquidity, with the percentage invested for over 12 months being 42.3% as at the end of March.

Although there continued to be no developed approach for public sector bodies to report on ESG considerations, it was now considered good practice to take these into account. Section 8 of the report detailed the Council's approach. The Authority continued to hold a small number of funds with exposure to fossil fuels, and it was noted as capital values recovered, the Authority would look to disinvest from these funds. The Council complied with all the limits set for borrowing and investment as stated in the prudential indicators shown in Appendix D.

In response to a question, members were advised that treasury management was ultimately about surplus cash the council held in short term investments and responsible investments were more applicable to longer term strategic investments.

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During the discussion, it was asked if further scrutiny was required regarding the underspend, officers felt this was not necessary, they recognised there were some concerns going forward, in particular changing interest rates, but they continued to be mindful of those risks going forward.

Members asked if the TM training session could include the capital value of fossil fuels and the impact investment.

Resolved

That the report be noted.

42. ANNUAL REPORT ON RISK MANAGEMENT ACTIVITY

Darren Skinner, Head of Planning, Performance & Insight explained the report aimed to update and provide assurance to the Audit & Governance Committee (AGC) on changes and improvements made to the Risk Management (RM) Framework during 2023-2024.

It was explained through the Council's Constitution, the Audit and Governance Committee had responsibility for monitoring the effective development and operation of risk management in the Council and to monitor progress in addressing risk-related issues reported to the Committee. The annual activity report summarised the key changes and improvements to the risk management framework each year, including amendments to the Strategic Risk Register.

The Committee were informed that guidance was now available on SharePoint and the manual reporting processes would become automated in the coming year. Members were advised that some risks had been deescalated and were now being monitored through directorate risk registers. The Committee noted the Dedicated Schools Grant (DSG) had been included on the strategic risk register. The Executive Director of Corporate Resources explained that the DSG had been included on the strategic risk register due to its complexity and the funding sums involved.

Members were advised that overall movement and the Risk Register only included risks that required collective oversight by the Corporate Leadership Team (CLT). It was understood that certain risks, for example Health & Safety, staff welfare, were on the risk register because they were a responsibility that was shared by the whole council. It was explained that service plans were reviewed on a regular basis and Corporate Overview Scrutiny Committee (COSC) monitored the strategic risk register on a regular basis.

A member wished to know if contract management risk had been referred to COSC, the MO explained that this was on the committee's workplan. Some members felt that the individual scrutiny committee should have sight of the directorate risk registers. Officers confirmed this would happen in due course.

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The Committee were reminded it was their role to provide the appropriate challenge and ensure the attention was focused accordingly and mitigations would help to maintain risks at a reasonable level, as policy changes, funding and market changes could all affect the risk register.

During the discussion, a member questioned the Communities Infrastructure Levy (CIL) given the new Government's intentions for the planning system, officers reassured committee that the service was closely monitoring the situation.

Resolved

That the Committee noted the key developments in the framework this year, and ongoing work for 2024/25.

The Committee noted the amendments to the strategic risk register arising from its annual review at Corporate Leadership Team.

43. ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE 2023-24

Piyush Fatania, Head of Audit, Risk & Assurance presented the report and explained the Annual Report on Internal Audit activity met the reporting requirements, as set out in the Public Sector Internal Audit Standards (PSIAS) 2017. The Head of ARA advised the Committee that overall, the level of risk for 2023/24 was an acceptable level of assurance.

The report provided the Head of ARA's annual opinion on the overall adequacy and effectiveness of the Council's Internal Control environment comprising risk management, control and governance, this opinion supported the Council's Annual Governance Statement.

He wished to extend his thanks to the ARA team who had worked very hard throughout the year and the support received from Members and officers throughout the Council.

Members asked if benchmarking was undertaken, the Head of ARA confirmed that it was and offered to circulate comparison information. The Committee welcomed the report and its findings.

Resolved

That the Committee assessed, from the findings set out in the Annual Report of the Head of ARA 2023/24, that it could take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively.

That the Committee noted the performance of Internal Audit met the required standards.

44. COUNTER FRAUD ANNUAL REPORT 2023-24

Piyush Fatania, Head of ARA presented the report which detailed the Counter Fraud Team's end of year progress against high level work streams for Gloucestershire County Council (GCC). The Head of ARA wished to express his thanks to the Team for their ongoing efforts.

It was explained that the Counter Fraud Team (CFT) sat within the Audit Risk Assurance shared service and comprised of three fully qualified counter fraud and risk management specialists. The Committee were informed that the CFT worked with multiple agencies and partners, to share information and learning practices.

The committee were impressed with the sums recovered and it was noted that action was also taken on goods and services fraudulent activity.

Resolved

That the Committee noted the work and performance of the Counter Fraud Unit during 2023/24.

45. INTERNAL AUDIT PROGRESS REPORT 2024-25

The Head of Audit, Risk and Assurance (ARA) presented the Committee with an Annual Report on Internal Audit activity, which met the reporting requirements as set out in the Public Sector Internal Audit Standards (PSIAS) 2017. It was noted that a report annex had been omitted and would be presented at the September meeting.

In response to a question, it was explained that in terms of health and safety, agile working had been taken seriously by management and a progress report would be presented in future report.

Resolved

That the Committee noted the progress against the Internal Audit Plan 2024-25.

That 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.

46. RIPA ANNUAL REPORT

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Jason Poole, Interim Head of Regulatory Services presented the report in detail. The report informed the Committee of the use of directed surveillance and covert human intelligent sources and reported on the results of the inspection by the Investigatory Powers Commissioner's Office undertaken during 2023/24.

It was noted that there had been one application for covert operations, and there were some ongoing investigations. The Committee were advised that the Assistant Director of Legal Services also undertook an annual review to ensure the applications were considered and managed properly.

Members questioned the low number of covert surveillance operations, it was explained that warrants were required to access private houses, as officers could enter retail premises without a warrant.

Members welcomed the report and its findings.

Resolved

That the Committee noted the use of surveillance activities across the Council.

That the Committee noted the service complied with the statutory Code of Practice.

47. ANNUAL SCHOOLS ASSURANCE STATEMENTS

Kirsten Harrison, Director of Education provided the Committee with an annual report on school assurance statements provided by the governing boards of Local Authority (LA) maintained schools and confirmed the statements met the reporting requirements. The Director provided assurance to the Committee that processes were in place to manage the Internal Audit identified schools' risks and updated on audit recommendation implementation.

The confirmed assurance approach for 2023/24 applied by Education/Governor Services, was designed to meet the objective of providing assurance that processes were in place to manage the Internal Audit identified schools' risks, and to update on audit recommendation implementation.

In response to a question, members were advised that academy schools were responsible for publishing their annual accounts and auditors' reports on their school websites as part of the requirements of the Academies Financial Handbook.

A member asked at what point a member would be informed if there were significant concerns about a school's finances. The Director of Education indicated that Members would be informed where there were considerable concerns as these often did not sit in isolation. Members were advised that the local member would

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be contacted if there were any major concerns, but this would be on a case-by-case basis.

Piyush Fatania, Head of ARA referenced the Member to the detailed pages of the report where common themes were outlined in response to the Member's question regarding the learning from the 2023-14 audit cycle.

Resolved

The Committee noted the report.

48. A&G CHAIR'S ANNUAL REPORT 2023/24

During the discussion, it was agreed that the last sentence of the Chair's narrative would be amended.

Resolved

That the Chair's Annual Report be approved, subject to the amendment and be presented at the September Council meeting.

49. WHISTLE BLOWING REPORT

The Monitoring Officer (MO) presented the report.

Members were advised that the policy applied to all organisations who were contracted by GCC. During the discussion, a previous case was referred to, when a situation wasn't escalated via the appropriate channels, and it should have been. The Monitoring Officer reassured the Committee that firm processes were now in place to prevent a reoccurrence of that situation. A centralised reporting system was now in place and the MO and Internal Audit had oversight to check the processes in place.

It was noted that the Authority benchmarked against others, to ensure it was not complacent. The MO informed the committee that he had the appropriate resources available to address any issues. The Committee felt members had a duty to be aware of the whistle blowing policy.

Resolved

That the report be noted.

CHAIRPERSON

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Meeting concluded at 11.26 am