

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Thursday 25 April 2024 commencing at 10.00 am at the Council Chamber - Shire Hall, Gloucester.

PRESENT MEMBERSHIP:

Cllr Matt Babbage	Cllr Alex Hegenbarth
Cllr John Bloxsom (Chair)	Cllr Brian Tipper
Cllr Andrew Gravells MBE	Cllr Chloe Turner
Cllr Tim Harman	Cllr Dr David Willingham
Cllr Colin Hay	

Substitutes:

Apologies: Duncan Laird and Cllr Alan Preest

22. DECLARATIONS OF INTEREST

Councillor Willingham declared he was also a member of Cheltenham Borough Council.

23. PUBLIC QUESTIONS

No public questions were received.

24. MEMBER QUESTIONS

The member questions and responses were published online:

Cllr Willingham proceeded to ask a supplementary question, he asked if the purchasing of the pothole pro machine could be audited.

Some members felt this was politically motivated given the impending local elections.

The Chair advised the committee that budget amendments were moved at the budget setting COSC meeting with no prior scrutiny and that members could submit questions if they wished to do so, so they were on the public record.

25. MINUTES OF THE PREVIOUS MEETING

Members were advised that the Statement of Accounts had been published on the GCC website and no material changes had occurred. During the discussion, it was requested that contract management be referred to Corporate Overview Scrutiny Committee for consideration.

Minutes subject to their acceptance as a correct record at the next meeting

The Committee were also advised the advertisement to recruit an independent person was live and the link would be circulated to members to share via their media outlets.

Resolved

That the Committee approved the minutes of the extra-ordinary meeting held on the 1st March 2024.

26. KPMG AUDIT PLAN FOR GCC & PENSION FUND

Sarah Brown, Key Partner KPMG explained that KPMG had been appointed as GCC's auditors by Public Sector Audit Appointments Ltd. The audit was governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. It was noted that the NAO was consulting on a new Code of Audit Practice for 2023/24, therefore this plan would remain draft until the finalisation of that Code.

This report outlined KPMG's risk assessment and planned audit approach. It was noted their planning activities were still ongoing and they would communicate any significant changes to the planned audit approach.

KPMG wished to extend their thanks to the Finance Director and his team for their efforts during the 2022/23 audit. Members were advised that KPMG were fully resourced to deliver the audit process and their team would remain consistent.

In response to a question, it was explained the restriction on distribution was for KPMG to protect their liability arrangements. Members suggested that it might be useful to include a note that the restriction was for KPMG purposes.

During the discussion, the Key Partner confirmed she was happy to continue to have a pre-meeting with the Chair and Members.

A member referred to page 16 of the report (Business Rates), it was clarified there were six district councils, KPMG agreed to amend the report.

Resolved

That the report be noted.

27. ANNUAL GOVERNANCE STATEMENT UPDATE

Rob Ayliffe, Monitoring Officer updated the Committee that the Annual Governance Statement (AGS) had been updated and the amendments were included in the final version and had been signed by the Chair.

Members asked in the future if Executive Directors would consider the culture element, the Monitoring Officer agreed to relay this request.

The Committee questioned the removal of actions in the future, the Monitoring Officer explained those actions had been reinstated and the report would be amended accordingly.

Resolved

That the update be noted.

28. FOSSIL FUEL DISINVESTMENT REPORT

Paul Blacker, Director of Finance explained the report considered the consequences of moving existing investment in fossil fuel companies into responsible investment funds.

It was noted as part of Treasury Management activity GCC had invested money into selected property, equity, and multi asset funds. The purpose was to obtain an improved yield, diversify investments, and lengthen the maturity of the Council's investment portfolio. Members were advised that all funds selected paid regular dividends, even when capital values were reducing.

These longer dated investment dividends could be treated as revenue income, rather than a capital receipt, as the income had been used to support the revenue budget. The Committee noted these investments were held for their revenue generating potential rather than for capital gains and were therefore seen as long-term investments.

It was confirmed that following the Motion agreed by Council in November 2019 the Council developed and implemented a Responsible Investment Policy, which ruled out new investments in pooled funds that invested in fossil fuel companies.

Officers acknowledged that some of the fund investments taken out prior to this motion being passed did contain a small percentage of fossil fuel holdings. However, no new investment had been made in these funds or any other fund that contain fossil fuel holdings since the motion was passed.

It was explained that GCC benefitted from the additional income that these Strategic Funds provided. Disinvesting from the funds with fossil fuel exposure would crystallise a capital loss of over £3.8 million. The lower yield associated with investing more in the funds currently available with no fossil fuel exposure would also result in up to £199k loss of revenue income per annum, it was noted the higher income was already assumed in the Medium Term Financial Strategy.

Members were interested to learn about the consequences of disinvesting and suggested that perhaps the issue should be monitored and when no losses were made then perhaps Cabinet could reconsider the decision.

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The Director of Finance advised members that expert advice was taken from GCC's Treasury Management Advisors to invest surplus funds in order to support the budget. In response to a question, it was noted that fund managers consider a multitude of factors when deciding upon an investment, as the markets changed dramatically.

The committee proceeded to discuss statutory overrides, members were informed that funds increased and decreased, and overall, the Authority had a small percentage invested in fossil fuels.

Resolved

That the report be noted.

29. INTERNAL AUDIT PLAN 2024/25

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 draft 2024/25 Risk Based Internal Audit Plan as required by the Accounts and Audit regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017.

In terms of deferred audits, the Head of ARA advised committee that audit plans were monitored and reviewed accordingly. Members raised concerns regarding recommendations that were not acted on. Officers reassured the committee that there was movement in the plan and items could be added if requested and that outstanding recommendations were followed up by Internal Audit.

The issue of cyber security was raised, the Head of ARA felt the risk level was appropriate and explained the Authority was actively undertaking work in this area. It was noted the annual audit plan would contain a suite of audits.

The Chair felt there was a lot of learning in strengthening the authority's own arrangements, especially in terms of the risks associated with individual elected members in terms of checks for grant applications (Build Back Better Fund, etc).

Resolved

That the Committee agreed the 2024/25 Internal Audit Plan.

30. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2023-24

The Head of Audit Risk Assurance (ARA) presented the report which informed members of the progress of Internal Audit activity in relation to the agreed Internal Audit Plan 2023/24. It was explained that ARA intended to combine the tables (on page 99 of the report) in the future for outstanding recommendations.

A member asked if the acronym on page 86 of the report could be amended to avoid any confusion between Cheltenham Borough Council and Cotswold District Council.

In terms of counter fraud activity, members welcomed the report findings and felt it was a significant as would deter people from defrauding the public purse.

Members were advised that risks were discussed between audit and senior management, and in terms of transparency the risk register was monitored by Corporate Overview Scrutiny Committee. The Committee noted that the authority also had its own Risk Management Officer, and this ensured a collaborative approach.

The Monitoring Officer advised the authority benchmarked its risk register against other authorities and the wording of risks were compared to ensure a consistent approach.

During the discussion, members questioned the fact that some recommendations from 2022/23 were still outstanding and were concerned that some of the areas were regarded as high risk. The Executive Director of Corporate Resources accepted the challenge and agreed to take the point forward for further investigation and agreed to report back to committee in due course.

Resolved

That the Committee noted the report.

31. ANNUAL REPORT ON MEMBER CODE OF CONDUCT

The Monitoring Officer explained the report reviewed the effectiveness of the statutory arrangements governing the conduct of elected members, including administration of the member complaints process. It was explained the requirements for maintaining standards of conduct amongst councillors were set out in the Localism Act 2010.

As such the Council's monitoring officer was responsible for the operation of the Code and administration of the complaints process. This committee was responsible for monitoring the operation of the Code of Conduct and promoting, monitoring and assisting the achievement of high standards of conduct.

The Code makes provision for members to be granted a dispensation to allow them (under certain circumstances) to participate in a debate despite having declared an interest in the matter. The power to grant dispensations rested with the Audit & Governance Committee. It was noted that no such dispensation had been sought or granted since the legislation was enacted in 2012. The Committee noted such provisions should only be used exceptionally, there had been occasions recently

when it might have been appropriate, but given the timing of meetings it would have made it impractical to seek a decision of the Audit and Governance Committee.

The committee was therefore asked to consider whether provision should be made within the Council's Scheme of Delegation for the monitoring officer to grant such a dispensation, in consultation with the Chair of Audit & Governance Committee, on those occasions when it would be impractical for the committee to meet to consider such a request. If such a mechanism was supported, the proposal would then be referred for further consideration by the Constitution Committee. The Committee requested that group leads were also included in the consultation process if required between meetings.

The Monitoring Officer proceeded to advise the Committee on the Retention of Interests that have expired. It was clarified that while the legislation requires new disclosable pecuniary interests to be registered within 28 days of them arising, there was no requirement for the removal of interests once they had expired.

The Committee were informed that the views of other Gloucestershire Monitoring Officers had been sought, and the consensus was there would be a benefit in retaining interests on member's registers for a period of 6 months, but no longer, following their expiry. This would not require a formal change to the Code of Conduct, but could be adopted as best practice by this council, in order to give clarity as to what is expected.

Committee were also advised that the Independent Persons were appointed for a 4-year term of office in May 2021. As a result, their term would expire in May 2025. It was noted the role was carried out on a voluntary basis and did not attract an allowance. The report recommended that a recruitment process was undertaken in early 2025 to ensure that the Council was able to continue to retain the services of two independent persons for the following 4 year term. The Monitoring Officer explained the recruitment process for this process.

Members asked if the independent persons were truly independent, the Monitoring Officer added that the independent persons were not associated with any political party or any recent employee of the Authority and they were fair minded but challenging when required.

In response to a question, it was confirmed that a training session on member code of conduct would be provided to the new council. Members also requested that if there were more complaints, reference should be made in the Chair's Annual Report.

Resolved

That the committee:

1. **Noted the report and identifies any areas of concern;**
2. **Agreed the additional provision for the granting of dispensations, and to include the group leads in consultation process:**
3. **Agreed the proposed arrangements for retaining expired interests on the public version of the register;**
4. **Agreed the arrangements for recruiting two Independent Persons for the term of the next Council.**

32. REPORT ON EMPLOYEE REGISTER OF INTERESTS

The Monitoring Officer sought the Audit & Governance Committee's views on proposed changes to the arrangements for registration of interests, gifts and hospitality by the council's employees

It was explained that Gloucestershire County Council required all council employees to register their personal interests, financial or otherwise, when they could reasonably be deemed to potentially conflict with any work undertaken by employees in the course of their duties. The specific rules governing these requirements were set out in the Code of Conduct for Employees.

It was noted Grant Thornton made the following improvement recommendation with respect to these arrangements:

"The Council should put in place a mechanism to provide positive assurance that officers have complied with the Council's policies as per the Code of Conduct. This could be achieved through a periodic declaration, for example. The Council may wish to include in such a declaration confirmation that other key parts of the Code of Conduct had been read and complied with".

The report also recommended giving consideration to holding a single, central record of gifts and hospitality. The Monitoring Officer explained the challenges involved in implementing the recommendation in full as whenever an entry was submitted to the register of interests. Although none of these tasks were arduous and with over 3,000 employees, the cumulative impact would be considerable.

The Monitoring Officer felt there would be merit in introducing more rigour amongst senior managers of the council, where there was greater opportunity for employees to exploit or fall foul of conflicts of interest. It was therefore recommended that all employees at Head of Service level or above should be required to complete a declaration on a 3-year cycle. Where a Head of Service or above has no interests to declare, this should include a declaration to that effect (i.e. a 'nil' return).

Resolved

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That the Committee supported the proposed changes and recommended that the necessary constitutional changes were referred to the Constitution Committee

33. ANNUAL WHISTEBLOWING REPORT

The Committee were advised the previous report had been included in the agenda pack by mistake. The Monitoring Officer advised committee that the correct report would be circulated by email after the meeting for information and would be rescheduled for the July meeting for consideration.

Members were advised that the current arrangements remain unchanged. In response to a question, it was clarified that all contractors were required to have their own whistleblowing policy.

The Committee noted the Crimestoppers service operated the whistleblowing service on behalf of the authority, as this provided anonymity for callers and the service would be reviewed in a year, members were pleased to see the policy and the service in place.

Resolved

That the agenda item would be rescheduled for the July Committee meeting.

CHAIRPERSON

Meeting concluded at 12.04 pm