

# AUDIT AND GOVERNANCE COMMITTEE

**MINUTES of the meeting of the Audit and Governance Committee held on Friday 6 April 2018 commencing at 10.00 am at the Cabinet Suite - Shire Hall, Gloucester.**

## **PRESENT MEMBERSHIP:**

Cllr Colin Hay	Cllr John Payne
Cllr David Norman MBE	Cllr Nigel Robbins OBE
Cllr Brian Oosthuysen (Chairman)	Cllr Brian Tipper
Cllr Shaun Parsons	Cllr Will Windsor-Clive
	Cllr Keith Rippington

**Officers:** Jo Walker, Jane Burns, Paul Blacker, Theresa Mortimer, Teresa Wilmshurst, Elaine Foxwell, Mary Morgan, Brenda Yearwood, Peter Barber (Grant Thornton), Katie Whybray (Grant Thornton) and Andrea Griffiths.

## **1. DECLARATIONS OF INTEREST**

Councillor Oosthuysen declared that he received a pension from Gloucestershire County Council. Councillor Parsons declared he was a member of Cotswold District Council, and a member of the Pensions Committee.

## **2. MINUTES**

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

### **Resolved**

**That the minutes of the meeting held on 26th January 2018 be approved as a correct record and signed by the Chairman.**

## **3. GRANT THORNTON ANNUAL AUDIT PLAN FOR GCC & PENSION FUND**

The Committee welcomed Peter Barber, Engagement Lead and Katie Whybray, Audit Manager from Grant Thornton to the meeting.

Pete Barber presented the report which informed the Committee of the audit work to be undertaken for the 2017/18 financial year for Gloucestershire County Council, Gloucestershire Pension Fund and the fee involved.

It was explained that the plan clearly set out the process and had a greater emphasis on the elements of risk. Members were informed that audits were based on materiality, therefore the audit was designed to consider material error. The Committee were informed that Internal Audit and Grant Thornton had regular

meetings and dialogue throughout the financial year to discuss key issues on a regular basis. A member referred to materiality in relation to Northamptonshire County Council and suggested that perhaps the scale of materiality should be reduced in order to be aware of any issues earlier in the process. The committee discussed materiality and Grant Thornton advised that the limit was set nationally not locally.

In response to a question regarding the assessment of valuations, members were advised that Grant Thornton communicated with experts in terms of ascertaining valuations of existing assets. Members were reassured that there were auditor processes in place to gain assurance over the accuracy of the valuations. The Director of Finance explained that internal and external resources were used by the council to value its assets and reminded the committee that the issue had been debated a number of years ago, with Grant Thornton, which had led to improvements in process and a clear programme.

The committee discussed the issue of management overrides and that Grant Thornton actively looked for any influencing of the accounts and if this did occur it would be picked up and reported in the Annual Report if it exceeded materiality levels.

It was noted there were no issue in terms of working with partners and that the pooling of business rates were incorporated into the MTFs and the Statement of Accounts. This was reflected in the good governance arrangements, including regular meetings of the pool's Chief Financial Officers, supported by the use of external consultants and audits undertaken by internal auditors.

Members debated the report content and questioned Grant Thornton. The Committee was informed that it was role of the external auditor to review the arrangements and advise the Authority to achieve the objectives. The Committee were advised that the report highlighted the most important aspects of risks, of which there were varying levels of risks.

The committee proceeded to discuss the Pension Fund Audit Plan. One member requested to know who was going to be the Auditor for the Brunel Pension Partnership (BPP). The Director of Finance explained that the transition to the new custodian had been undertaken successfully and Brunel was now in the process of appointing new fund managers. In terms of external auditors, once the appointment had been made the Committee would be advised.

Mr Barber explained that BPP in terms of external audit, would become more relevant to the 2018/19 Pension Fund accounts. In response to a question, it was noted that actuary valuations remained with Pensions Committee and not BPP.

The Director of Finance informed the Committee that the Pensions Committee would remain accountable for the Gloucestershire LGPS. However, the BPP would become responsible for asset management e.g. appoint fund managers. It was explained that the BPP was a separate legal entity and therefore subject to separate audit arrangements.

It was noted that the auditors did not provide a separate value for money conclusion on the pension fund. The Committee noted that the pension fund was within the remit of the Pensions Committee who also reviewed the Auditors annual report.

**Resolved**

**That the report be noted.**

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

Katie Whybray presented the report, which detailed the progress Grant Thornton had made in delivering their responsibilities as the external auditors. It was noted that Grant Thornton would produce the External Audit plan for 2018/19 in association with the Authority. Members were informed that accounting, audit and emerging issues would be flagged up as part of the regular report. Members were informed that internal and external auditors met on a regular basis to discuss any issues that may arise

In response to a question relating to the outstanding objection from 2016/17, it was noted that a provisional view had been issued to the Council and the Objectors. All parties had 28 days in which to respond on the accuracy of the facts, and it was anticipated that a final conclusion would be delivered by Grant Thornton to advise the Committee at the July meeting.

**Resolved**

**That the report be noted.**

#### **5. GRANT THORNTON AUDIT STANDARDS COMMUNICATION AND IA FRAUD LAW & REGULATIONS**

Peter Barber presented the report, which summarised the International Auditing Standards in relation to the Audit and Governance Committee and management responses, as stated within the report. The Committee considered the robust responses, which were circulated prior to the meeting and confirmed that it was satisfied with the arrangements in place.

The Committee welcomed the report which provided detailed responses.

**Resolved**

**That the report be noted.**

#### **6. INTERNAL AUDIT PLAN 2018/19**

Theresa Mortimer, Chief Internal Auditor (CIA) presented the Internal Audit Plan for 2018/2019 for the Committee's consideration and approval. The CIA advised that

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Internal Audit apply the principles of Risk Based Internal Auditing which meant that internal audit focused their resources on providing independent assurance on the Council's key risks and priorities.

It was noted that to enable the plan's development, a wide-ranging consultation process had taken place which included meetings with the Chairman of the Audit and Governance Committee, Senior Management across the Council and parallel meetings with External Audit and Finance Managers, which helped Internal Audit to establish their audit assurance activity priorities.

The CIA explained that Internal Audit had ongoing liaisons with key stakeholders throughout the year to ensure Internal Audit was kept informed of key changes to enable them to adapt their work priorities accordingly.

The proposed activity from all sources, which included Internal Audit's own risk assessments, were collated and prioritised based on risk between 1 and 4. It was noted that 1 was the highest priority based on previous fraud/irregularity within the service area, change of management, policy, new contractual arrangements, financial value/overspends, etc. These activities were then matched against internal audit's capacity and staff resource plan, with priority 1 activities being undertaken in the first instance and subsequently priority 2 activities.

The plan was stated in terms of estimated days input to the Council of 1625 which was comparable with last year. This level of input, with the ability to commission additional resources from current audit framework agreements as required, was considered acceptable to provide the assurance needs of the Council. The CIA will however, continue to reassess audit resources against the Council's priorities and risks and will amend the plan throughout the year based on in year risk / need / demand, reporting any key changes to the Audit and Governance Committee.

Members' attention was drawn to the summary overview of the plan, which highlighted the allocation of audit resource per category of review and functional service areas. It was noted that this year's plan had been based on the Council's current risk profile and change agendas.

The CIA explained that detailed terms of reference including the scope of each review were agreed with the client prior to its commencement.

In response to a question, it was explained that the ICT technical audits were undertaken by The Internal Audit Association (TIAA) the Council's appointed ICT internal auditors. The ICT audit plan is developed by Internal Audit and TIAA in conjunction with the Director responsible for ICT and Head of ICT Service. Once these audits had been agreed they would be detailed within future monitoring reports.

The proposed plan had been presented to the Chair of the Audit and Governance Committee, Director of Strategic Finance and CoMT and following robust challenge, had been endorsed.

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The Chair thanked the CIA and welcomed the wide ranging scope of audit activity within the plan.

## **Resolved**

**That the Committee approved the Internal Audit Plan 2018/19.**

### **7. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2017/18**

Theresa Mortimer, Chief Internal Auditor (CIA) presented the report which informed members on the progress of the internal audit activity in relation to the 2017/2018 Internal Audit Plan and provided a progress report on those audits undertaken during the period January to March 2018, including the opinions provided on risk and control.

The Committee welcomed the report which provided the relevant risk and control assurance opinions in relation to the audit activity during the above period. The report included a graphical summary that highlighted the opinions provided during this period, which showed an overall satisfactory and above rating of 82% on control and 91% on risk. Members' attention was drawn to the fact that 18% of the opinions on control were limited. Officers explained that this may be due to transformational change, whilst focusing audit activity on the key risks of the Council and as a result of specific requests from Directors, who requested areas to be reviewed where issues had arisen or where independent assurance was required.

The CIA informed the Committee that all 6 recommendations made by Internal Audit to improve the control environment during this period, had been accepted by management.

The CIA highlighted there were no limited assurance opinions on risk or control during the January to March 2018 period.

The Committee discussed the progress report in detail, and were informed that Internal Audit also carries out consultancy work as well as assurance activity. Whilst consultancy work provides a conclusion on the control environment, a formal assurance opinion would not be provided.

The CIA explained that the partnership arrangements with Gloucestershire Counter Fraud Unit (CFU) were working well as the unit encompassed a range of technical skills and as such contributed towards the resilience of responding to fraud and irregularity referrals across the internal audit shared service.

The CIA drew members attention to the outcomes (including financial) of the fraud and irregularity activity undertaken. As a result, a discussion took place relating to the management and levels of petty cash held across the Council.

Some members felt the levels should be reduced. Officers explained that on occasion there were minor anomalies with petty cash and these are investigated at

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the time – internal audit input would be requested if there were any concerns. Petty cash tended to be used for emergency payments, for example, children in care who required clothing on an urgent basis.

The Committee felt reassured that stringent measures were in place and the aim was to minimise the amount held in due course. The CIA explained that holders of petty cash had to submit claims via the imprest system and regular reconciliation was carried out. The Director of Finance explained that payment cards were currently being reviewed to continue the reduction in the level of spend administered through petty cash accounts.

One member remarked that they were not comfortable with the ‘Satisfactory’ opinion provided in relation to the Gloucestershire Fire and Rescue Service Business Continuity Management internal audit review. The CIA was asked to formally feedback to the Business Continuity Assurance Group that the Committee required an agenda item included to remind all members of the Group (for appropriate dissemination) to ensure that all critical systems BCM plans are tested and that evidence should be available to demonstrate this testing.

### **Resolved**

**That the report be noted.**

## **8. LIMITED ASSURANCE REPORTS**

**Electronic Call Monitoring** – Mary Morgan, Lead Commissioner for Older People and Brenda Yearwood, Commissioning Manager presented the report in detail.

The Committee noted that GCC currently spent circa £24m per year on Learning Disability Community based care support services. Members were advised that prior to the introduction of Electronic Call Monitoring (ECM) the Council was not easily able to substantiate the support hours provided and was therefore potentially at risk of paying for commissioned hours rather than the actual hours provided.

It was explained that ECM allowed for care delivery information in real time and could aid the streamlining of financial processes by removing much of the administrative burden and expense of time sheet management.

Members were advised that as of March 2018 there were now a full compliment of staff who now took an account management approach. As such, officer’s now reconciled data for the same providers each period, therefore they would be able to pick up on issues and irregularities. However there was extensive work yet to be carried out on compliance.

The CIA added that Internal Audit would continue to monitor the situation and a follow up review would be included in to the Internal Audit Plan 2018/19.

In response to a question relating to recommendation 4 of the report (Page 164), it was noted that there was now an escalation process in place. The committee

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were advised that the service was usually informed when users required more care hours, unfortunately they were not always advised when less care was required and this area needed to be reassessed accordingly.

**Resolved**

**That the report be noted.**

**9. MONEY LAUNDERING REGULATIONS AND GUIDANCE**

Paul Blacker, Head of Financial Management presented the report to the Committee. During the discussion, members were advised that money laundering only referred to cash. One member remarked that when dealing with development companies it was advisable to obtain a name as a direct point of contact, subject to this amendment, the policy was accepted by the Committee.

**Resolved**

**That subject to the above policy amendment, the report be presented to Committee every four years unless any subsequent changes were made, then the report should come back to Committee for approval.**

**10. LOCAL GOVERNMENT ETHICAL STANDARDS CONSULTATION**

Jane Burns, Director of Strategy and Challenge and Monitoring Officer presented the report in detail. It was explained that the draft response had been shared with the two Independent Persons and the Head of Legal Services.

The Committee discussed the report in considerable detail and concurred that the numerous codes for the various local authorities were confusing for Members and complainants. One Member suggested that there should be one universal code, for district and county members and that the Gloucestershire Monitoring Officers should work together to produce one. It should be made readily available on all council websites.

The Monitoring Officer explained that there had been attempts to do this but the seven Councils could not agree upon a universal code. The committee noted there was an impetus for change. The Monitoring Officer agreed that the subject of a universal code, should be once again put before the Monitoring Officers Group for further discussion, once the results of the consultation were known.

**Resolved**

**That the Committee accepted the response, subject to the inclusion of the comments made.**

**11. FREEDOM OF INFORMATION ANNUAL REPORT**

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Teresa Wilmshurst, Information Requests Manager and Neil Downing, Request Support Officer presented the report, drawing attention to the significant number of requests. It was explained that the percentage of requests responded to within the statutory timescale in 2017 was 89%. The service had actively addressed the previous issues and commissioned a piece of challenge work, which was now completed.

Members were informed that there had been a slight decrease in the volume of requests the Council received, with 2037 requests received in 2017 compared with 2276 in 2016. This was mainly to do with how health requests were recorded. The Request Management Team (RM) worked directly with all service areas and complicated requests could also be referred to legal for support, to enable the RM team to respond. The Committee discussed the report in detail and referred to the graphs within the report for clarity. It was noted that impacts on the rates were as a result of the number FOI requests received, complexity, and volume of information.

It was explained that under table 4, there had been a 19% increase in refusals compared with 2016. Officer's explained that the RM team continued to proactively publish information so that requestors could be directed to where the information was readily available, to help the Council manage demand.

Members noted the Council had received 567 requests under the data protection act 2017. This resulted in a 5% decrease compared to the 598 requests received in 2016. It was noted that 4 internal reviews/complaints were received and investigated in 2017, of these 1 was upheld in full, 2 were upheld in part and 1 was not upheld. These usually related to complex service user cases that required considerable investigation to understand the issues in question and may not be linked to a request for information. The Committee were advised that 1 case was escalated to the Information Commissioner (ICO) in 2017.

In response to a question relating to table 2 (page 184, some members were concerned to find that MP's and Councillors had submitted FOI requests. Many members felt they ask officers the questions directly, as the time and effort involved in a FOI request was considerable.

In response to a question, relating to vexatious complaints, it was noted that the Council maintained an unacceptable behaviour policy for excessive repeated requests by an individual. Members were advised that they were given a single point of contact and that a list was maintained.

Members were informed that information was published on the County Council website, in a bid to improve openness and transparency and to reduce Freedom of Information requests. Officers actively looked at ways of directing requestors to the information that was already available to them and request responses were uploaded on to the website in a disclosure log.

The Committee welcomed the report and congratulated officers on their efforts.

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**Resolved**

**That the report be noted.**

**12. ANNUAL REPORT TO COUNCIL**

The Chairman presented the report in detail.

**Resolved**

**That the report be approved and presented to the next full Council meeting.**

**13. EXCLUSION OF THE PRESS AND PUBLIC**

**THAT in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the business specified in minute 12 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

**14. EXEMPT LIMITED ASSURANCE REPORT**

The Committee received and discussed the report in detail.

**Resolved**

**That the report be noted.**

**CHAIRPERSON**

Meeting concluded at 12:14pm