

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Friday 30 July 2021 commencing at 10.00 am at the .

PRESENT MEMBERSHIP:

Cllr John Bloxsom	Cllr Alan Preest
David Clowes	Cllr Brian Tipper
Cllr Stephan Fifield	Cllr Chloe Turner
Cllr Colin Hay	Cllr Susan Williams
Cllr Stephen Hirst	Cllr Dr David Willingham

Substitutes: Cllr Emma Nelson

Apologies: Cllr Matt Babbage and Cllr Alex Hegenbarth

1. ELECTION OF VICE CHAIRPERSON

The Committee were advised that the appointment of Vice Chairperson had been confirmed at the County Council meeting on the 30th June 2021. It was noted that Cllr Stephan Fifield had been duly elected as the Vice Chairperson.

2. DECLARATIONS OF INTEREST

No declarations of interest were made.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed the newly appointed Conservative Political Assistant, Imogen Ainsley to the meeting.

He also welcomed David Clowes, the newly appointed Independent Person to the meeting and clarified that this role did not having voting rights. It was noted that this point would need to be clarified within the Constitution and would be referred to the Constitution Committee.

4. MINUTES OF THE PREVIOUS MEETING

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

Resolved

That the minutes of the meeting held on the 25th March 2021 be approved as a correct record and signed by the Chairman.

5. GRANT THORNTON AUDIT PLAN FOR GCC & PENSION FUND REPORT

Pete Barber presented the report which informed the Committee of the audit work to be undertaken for the 2010/21 financial year for Gloucestershire County Council, Gloucestershire Pension Fund and the fees 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. The committee discussed materiality and Grant Thornton advised that the limit was set nationally not locally.

Materiality was set at 1.5% of the gross spend, which equated to approximately £14m. Members were informed that anything over that amount would warrant an enhanced audit. In response to a question, it was explained that the Pension Fund materiality was set at 1%, as the nature of the funds spend was different to that of GCC and the net asset of the fund was in excess of £3billion.

Members were referred to the significant risks identified on page 15 of the report. It was explained that under ISA 240 revenue risk this had been rebutted, as there was no significant risk of material misstatement.

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.

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 Committee recognised that the National Audit Office (NAO) had issued a new code in 2021, which focussed on improving economy, efficiency, effectiveness, financial sustainability and governance.

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.

Members were advised that the audit fees for 2020/21 were £118,818. In response to a question relating to the costs involved in the ongoing objection, it was explained that the additional fees fell on the council. It was noted in 2019/20 an

interim bill of £30k was paid, however this was still an ongoing issue so the fee would undoubtedly increase.

Members debated the report content and questioned Grant Thornton. Members questioned the 'risks of weaknesses' detailed within the report at page 23, Grant Thornton explained that given the Covid pandemic some decisions may have needed to be taken at short notice by the Leader of the Council and the Chief Executive during 2020/21. In terms of the Children's Services outcome, the external auditor was unable to make a judgement until the OFSTED outcome had been published. The Executive Director of Corporate Resources advised the Committee this process had improved considerably and officers were working closely with Grant Thornton to progress in the right direction.

In response to a question, it was noted that delays in maintenance to GCC properties could impact upon property values. The External Auditor advised members that testing occurred in all areas of significant risk and were prioritised in terms of highest risk.

The committee proceeded to discuss the Pension Fund Audit Plan. 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 Auditor's annual report.

It was noted that the Audit fee for the Pension was £32,575 members noted there was an increase compared to 2019/20. IN response to a question, the Committee were informed that the Pension Fund accounts were subject to the actuary and the triennial valuation. IT was recognised that the funds assets had increased and this affected its liability, compared to the previous year.

Members questioned responsible investments in relation to tobacco, carbon producers, etc. The external auditor explained that those issues were not within the audit scope.

Resolved

That the report be noted.

6. AUDIT & GOVERNANCE AND THE INDEPENDENT GRANT THORNTON REPORT

The Chairman informed the Committee that the Objection to accounts report had still not been published, he recognised the uncertainty that this caused and that all parties would like to see the report's content.

The External Auditor advised the Committee that issues were progressing and final discussions had taken place with Legal Advisors. Members were informed that the lead external auditor leading on the investigation had unfortunately been on leave due to ill health. Grant Thornton were working to release the report in due course, however a definitive publication date could not be given at this stage.

The Chairman proceeded to advise the Committee of the following timeline:

- February 2013: GCC entered into contract with UBB
- January 2016: GCC entered into amended and restated contract with UBB
- April 2017: CR4C submitted a formal objection to the auditors on Value for Money grounds
- January 2019: Community R4C submitted a claim for damages on the basis that they were denied the opportunity to bid for the contract
- July 2020: Preliminary Issues Trial: High Court rules that CR4C was not an economic operator at the time the contract was let
- August 2020: CR4C submitted a request to the court to appeal the decision.
- November 2020: Court of Appeal refused permission to appeal
- December 2020: GT issued provisional views to CR4C and GCC and invited both parties to make representations
- January/February 2021: Having received representations, and in response to legal advice, GT shared each party's representations with other, providing an opportunity for them to respond.
- March 2021: GT advised that the process of determining the objection was continuing and that until it was concluded, there should be no sharing of the provisional views as this would be damaging to the process.

The Chairman remarked when the report was published, it would require careful reading and suggested that a briefing session should be held for Members to develop a clear understanding of the report's findings then an informed debate could take at the appropriate committee meeting.

A member requested a visit to the Energy from Waste site to develop his understanding, the Chairman explained that a site visit would not be relevant to the report's findings or to the Value for Money aspect in terms of the Committee's function. He recognised that perhaps that was a consideration for the Environment Scrutiny Committee.

The Executive Director of Corporate Resources explained that the report was based on an objection to the accounts. In response to a question relating to the next steps, the Executive Director of Corporate Resources explained that it would depend on the reports judgement and the governance arrangements. He added that it wouldn't be appropriate to comment at this stage.

Resolved

That the verbal updated be noted.

7. TREASURY MANAGEMENT ANNUAL REPORT

Paul Blacker, Director of Finance explained that each year the Council produced an Annual Report covering its Treasury Management activities for the financial year ending 31st March. This report is presented to the Audit and Governance Committee because they are charged with the overall governance of treasury management activities in the Council.

The Committee were advised that the Treasury Management Strategy and the Annual Investment Strategy were agreed by full Council as part of the annual budget setting process. The Committee would discuss the Strategy report in January. In addition a mid year Treasury Management activity report is considered by the Committee in October.

It was explained that significant amounts of money were involved in Treasury Management with a borrowing and investing programme. At 31st March 2021 the Council has £261.8 million of external borrowing, compared to £269.8 million the previous year. The average cost of borrowing was 4.72%, this rate was higher than the rate of return GCC received on its investments because it reflected the fact that long term fixed rates loans were taken out historically when interest rates were higher than the current period.

The Council had substantial amounts of money invested at any one time an average of £359m in 2020/21, therefore it was important that the investment policy was robust. These investments generated £5.5 million for the Council in 2020/21 which is equivalent to 1.53% during a period when the bank base rate was 0.1% for the majority of the year. It was noted that the investment objectives were:

- Security – ensuring that the risk of financial loss was minimised
- Liquidity – ensuring that the money was available when we need it
- Yield – ensuring we maximise returns but commensurate with the above objectives of security and liquidity.

It was noted that the key to successful Treasury Management was getting the balance right between the three interlocking objectives. The report showed how this is done through a mixture of investment types, counterparties, maturity dates and a mixture of long and short term investments.

All Treasury Management activities during the year were fully compliant with the CIPFA Code and the Council's approved Treasury Strategy. The Committee noted that a training session with GCC's Treasury Management Advisors Arlingclose, would be conducted in January 2022.

In response to a question relating to LOBO loans and their repayment, the Director of Finance explained that the Minimum Revenue Provision (MRP) policy set aside defined amounts so that the loans could be repaid on maturity.

Members questioned fossil fuel investments, the Director of Finance confirmed there were no new investments and officers were actively working with fund managers to reduce investments and were looking to invest in non-fossil fuels. The Chairman reminded the Committee that the County Council had taken the decision to not invest in fossil fuels. It was recognised that markets were moving away from fossil fuel investments and green investments were rapidly increasing.

During the discussion it was suggested that it would be more beneficial if the prudential indicators were displayed in a table format. In addition, members requested further detail as to why the authorised borrowing for waste was

decreased from £950m to £455m. The Director of Finance agreed to provide a written response to members.

It was suggested that the Council should invest in the County in order to benefit the residents of Gloucestershire. Officers explained that there was a difference between Treasury Management and Investment Portfolio's. Members were advised that the aim of Treasury Management was to get the best return on its investments. The Executive Director of Corporate Resources explained that in theory it was a good suggestion but in practice it was unworkable. If the investment was limited to in county then the return would be limited, the Executive Director added that the procurement strategy aimed to focus on Gloucestershire.

The Executive Director of Corporate Resources reminded members of the objectives of Treasury Management, in terms of security, liquidity, yield and the need to balance those objectives over time.

In response to a question, the Director of Finance explained that Treasury Management advisors were tendered services and Arlingclose's performance was benchmarked.

During the discussion, a query was raised in relation to total value of loans being stated at £937m in the table on page 56 of the report. The Director of Finance agreed to look into this in more detail and would provide a detailed written response to Members.

RESOLVED

That the Committee considered and noted the Treasury Management Annual Report for 2020/21.

8. INTERNAL AUDIT ANNUAL REPORT

Piyush Fatania, 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.

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.

It was explained that the report provided information on what was taken into account to arrive at the opinion. The Head of ARA provided a summary of IA activity undertaken, with the net affect being that 83% of the overall revised plan had been delivered.

Members' attention was drawn to page 84 of the report, which provided the Committee with a pie chart summary of the overall opinions given during 2020/21.

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

The Head of ARA demonstrated that 79% of audited activity received a substantial or satisfactory opinion on control and 94% received on risk.

There were 11 audits that received a limited assurance opinion on control with 7 (21%). During this period 96 recommendations were made to management to improve the control environment, all of which were accepted. The Committee noted the spreadsheet which provided a summary of the activity undertaken which supported the Head of ARA's opinion.

The Head of ARA advised that IA undertakes a follow up review of every audit (where relevant) where a limited assurance opinion on the control environment has been provided. This provides reasonable assurance that management have taken actions to address the internal audit recommendations made, reducing the risk exposure.

The Committee were referred to the summary of counter fraud activity undertaken during the year. It was reported there 12 potential cases, 7 were now closed and 5 cases were ongoing.

The Head of ARA wished thank the Group Manager, the lead Principal Auditors and the ARA Team on their efforts during the Covid pandemic and their outstanding achievement.

Members questioned the value of assets given away in 2020/21, in relation to page 93 of the report, it was explained that £998,473. The Committee requested more information, as they were concerned that nearly a £1m had been gifted away and members wished to know if any amount had been recovered. The Head of ARA agreed to provide the Committee with more information in due course.

In response to a question relating Cabinet Member training as detailed on page 101 of the report, the Head of ARA agreed to take this point away and would circulate a response to the Committee.

Resolved

That the Committee assessed, from the findings set out in the report that it could take reasonable assurance that the internal control environment, comprising of risk management, control and governance was operating effectively.

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

That the Committee noted the Council's wide counter fraud activity during 2020/21 which included the fraud reporting requirements as mandated by the Local Government Transparency Code 2015.

9. GFRS PROGRESS REPORT

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

The Head of ARA informed the Committee that the purpose of the report was to provide assurance to the Audit and Governance Committee that the IA recommendations made in relation to the independent investigation of GFRS have been / are being addressed.

The Chair welcomed Gavin Roberts, (ACFO) and Cllr Dave Norman (Cabinet Member for GFRS) to the meeting.

The Monitoring Officer confirmed the Improvement Plan would be scrutinised by the new Fire Scrutiny Committee.

Members felt the recent headline of the 22nd July regarding the secret Santa sex doll demeaned and devalued the Fire Service. The Committee understood that firefighters quite often had to deal with dark situations and a sense of humour to cope with such issues. It was hoped that the cultural shift would be monitored by the Improvement Board.

The Cabinet Member for Public Protection stated such issues gave him and the Principal Officer Group grave cause for concern. He acknowledged that the issue was around culture and those members of staff involved had been disciplined. The Cabinet Member did not condone that type of behaviour, he added that it was in other Fire Authorities and was not just specific to Gloucestershire.

The ACFO advised the Committee that the service had addressed the issue and were scrutinising the service effectively to enable training to be undertaken around diversity and to be reflective of the local community. It was accepted that it was a difficult job at times and mental health was an issue for the service. Members recognised the health and well being of staff was paramount to the service.

Resolved

That the Committee reviewed and considered the actions taken to address the recommendations made and progress to date.

10. LIMITED ASSURANCE REPORTS

CCTV Limited Assurance Report

Jenny Grodzicka Head of Information Management Service and Data Protection Officer presented the report in detail. The Committee noted the audit reviewed whether GCC's usage of CCTV was in compliance with the statutory legislation and good governance guidance, including the annual completion of a self assessment of CCTV compliance. It was reported that the service was now travelling in a positive direction and the outstanding recommendations would continue to be monitored by Internal Audit.

Expenses and Benefits Limited Assurance Report

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

Colin Parkin, Head of Human Resources presented the report in detail. The Committee were advised that GCC reimbursed travel and subsistence expenses incurred in the course of official business. IT was reported that claims were submitted on a monthly basis through SAP Employee Self Service or via hard copy to the Business Service Centre (BSC). Payments were made in accordance with the local and national agreed rates.

It was noted that the objective of the audit was to ensure that effective systems and controls were in place for the purpose of staff claiming expenses and the appropriate controls were in place to scrutinise, approve and monitor expenses.

Members were advised that it was the individual staff member's responsibility to ensure their vehicle was approved taxed, MOT and insured. It was also noted there 5p claimable passenger rate, however there was nothing to incentivise public transport but officers would put this point to the working group for due consideration. It was suggested that staff should be made aware that the onus fell on them to ensure that they had the correct insurance cover if travelling for work purposes.

The Committee were informed that the CONCUR system would deal with many issues and the use of agile working continued to see a decrease in the number of claims.

The point was raised in relation to electric vehicles and mileage allowances, the Head of Human Resources explained that there was nothing in place at the moment but felt this may change in the future.

Direct Payments for Children

Amanda Henderson, Head of Children with Additional Needs presented the report in detail. It was noted that GCC was committed to promoting individual well being and to supporting independence through preventing, reducing or delaying the need for care and support. Direct payments were GCC's preferred mechanism for personalised care and support, as the promoted service user independence, choice and control over how their needs were met.

Members wished to know how much the total of reclaims put on hold during the course of lockdown equated too. It was agreed this information would be circulated via email to the Committee.

In response to a question, it was confirmed that children with disabilities and cared for children were two separate entities. Members were pleased to note that families were now aware of what the payment was for.

The Group Manager (ARA) advised the Committee that the three follow up audits would be conducted and the findings would be reported back to Committee later in the year.

Resolved

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

That the three Limited Assurance Reports were duly noted.

11. ANNUAL REVIEW OF THE COUNCIL'S USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Gillian Parkinson, Assistant Director of Legal 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 2020/21.

It was noted that there had been no applications for covert operations between April 2020 and March 2021, this was a direct consequence of suspension of enforcement activities during the Covid pandemic period.

At this point Cllr Willingham declared he was Chair of Cheltenham's Licensing Committee. He wished to know in relation to paragraph 4.1, if any under age sales relating to tobacco sales had been recorded. The Assistant Director of Legal Services agreed to clarify this point and come back to Members in due course.

Resolved

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

The Committee confirmed the current procedural guidance and arrangements for authorising applications remain fit for purpose.

The Committee agreed the report's conclusions and supported the proposal to proceed with the outstanding recommended actions.

CHAIRPERSON

Meeting concluded at 12.23 pm