

# AUDIT AND GOVERNANCE COMMITTEE

**MINUTES of the meeting of the Audit and Governance Committee held on Wednesday 30 November 2022 commencing at 10.00 am at the Cabinet Suite - Shire Hall, Gloucester.**

## **PRESENT MEMBERSHIP:**

Cllr Matt Babbage	Cllr Stephen Hirst
Cllr John Bloxsom	Cllr Mark Mackenzie-Charrington
David Clowes	Cllr Dr David Willingham
Cllr Colin Hay (Chairman)	

## **Substitutes:**

**Apologies:** Cllr Tim Harman, Cllr Alex Hegenbarth, Cllr Alan Preest, Cllr Brian Tipper and Cllr Chloe Turner

## **1. DECLARATIONS OF INTEREST**

No declarations of interest were made.

## **2. PUBLIC QUESTIONS**

No public questions were received.

## **3. MEMBER QUESTIONS**

No member questions received.

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

**Resolved**

**That the minutes of the meeting held on the 30th September 2022 be approved as a correct record.**

## **5. GRANT THORNTON INTERIM AUDIT FINDINGS REPORTS FOR GCC & THE PENSION FUND**

Sophie Morgan-Bower, Senior Manager, Grant Thornton (GT) presented the report which informed the Committee of the key matters arising from the audit of Gloucestershire County Council's financial statements for the year ended 31st March 2022.

The 2021/22 audit had continued to present a number of issues, in light of the Covid 19 pandemic and the report reflected the additional challenges for GT and the Authority in undertaking their respective responsibilities. The expectations of

the regulators had grown year on year, therefore it was essential that GT were doing appropriate work to address the issues raised.

The External Audit had not identified any significant matter during the audit. GT were awaiting further instruction from the National Audit Office (NAO) and explained that working remotely had created issues and the hybrid working arrangements would help to overcome these issues. GT wished to thank the Finance Team for all their efforts that had enabled the audit to progress well.

Members were advised that GT had not completed all of its VFM work and were not in a position to issue their Annual Auditor's Report 2021/22. A letter detailing the VFM position was also presented to the Committee. The aim was to issue the Auditor's annual report by 31st January 2023. This was in line with the National Audit Office's revised deadline, which required the Annual Auditors Report to be issued no more than three months after the date of the opinion on the financial statements.

It was reported that GT had substantially completed the audit of the financial statements and subject to outstanding queries being resolved they hoped to issue an unqualified opinion on the accounts by the end of January. There were no significant areas of weakness reported, although one valid objection, which was under review regarding the Council's definitive map.

As the audits had been conducted remotely, this resulted in an increase in the fees and these figures would be confirmed in January. During the discussion, it was agreed that the previous year audit fees should be included for transparency.  
(Action - GT)

In terms of the valuation of land and buildings, it was explained the council revalued these assets on a rolling basis and represented a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in the key assumptions. Officers explained the problem occurred in that asset lives were short, as such management needed to revisit the fixed asset register to ensure they were not materially different to the current value.

It was reported there was a national issue affecting the valuations of infrastructure assets within the accounts, members were advised this was a national issue as most councils did not have sufficient data available. Which had resulted in councils inadvertently replacing assets, which had a positive on accounting. CIPFA were considering a solution in the form of a statutory override, if approved it would take infrastructure outside the scope of the audit. This requirement would potentially come into force on Christmas Day 2022. It was noted that the account certification for 2021 was still outstanding due to the national infrastructure issues.

In terms of the management override, it was noted that there were no SAP errors, it was a question of the risk, therefore more checking was undertaken. This issue would be resolved when the new SAP system would be installed in December 2023. The external auditors confirmed the issues relating to journals would

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continue to be in 2022/23 audit findings report, due to the timing of the replacement SAP system, and the accounting period ending on the 31st March.

In response to a question relating to manual journals and the lack of descriptions, members were advised that the current SAP system did not have the ability to make the description feed mandatory. The Committee were informed that school valuations considered the number of children on roll and these were produced by specialist valuers.

Members were advised that Private Finance Indicatives (PFI) assets were valued at zero in the accounts, and this was a best practice point for management. It was a challenge rather an error to review the asset life. The PFI Assets were noted as the Energy from Waste and Joint Fire assets.

The Chair suggested an explanation on how they're valued and described in the accounts would be useful. The Committee felt it was important to know the value of assets, officers explained that it was important to have the correct asset values for accounting purposes and it wouldn't affect budgetary conditions on a day to day basis.

The Committee discussed materiality levels and members felt the public would have a considerably different view of the deficit not being material compared to the auditor's view. The Auditor appreciated the challenge and explained that the materiality level was set at 1.5% of gross spend but they also accepted the public's view. They reassured the Committee that if they had concerns over the number of amendments they would have robust talks with management, and they also had the right to raise any concerns with the Chair of the Committee too.

In terms of the Pension Fund Audit, it was noted that it substantially complete, subject to the Letter of Representation, Annual Report and the final opinion. GT expected to issue an unqualified opinion.

In terms of materiality for the Pension Fund this was set at £32m, given the value of the fund, it was noted there were no findings to report. Members were advised that 'Service Audit Reports' for some of the fund managers were below materiality, this was common place and other testing procedures were undertaken if necessary.

In terms of the Pension Audit Findings, it was reported there was no material misstatements and management had provided supporting evidence for the actuary's assumption of CPI +0.3%. It was explained that GT used their own external expert who assessed the actuary's assumption. The Committee accepted that different actuaries would have different assumptions and opinions.

**Resolved**

**That the reports be noted.**

## **6. GRANT THORNTON VALUE FOR MONEY EXTENSION LETTER**

**Resolved**

**The Committee noted the value for money extension letter.**

## **7. ANNUAL GOVERNANCE STATEMENT**

Simon Hawkins, Planning & Co-ordination Manager presented the report in detail and explained that the Council was required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2021/22. It was noted the Annual Governance Statement was signed by the Leader, Chief Executive and the S151 Officer and must accompany the Annual Statement of Accounts.

The Committee were advised that the Council's AGS and associated assurance framework had been developed in accordance with the CIPFA / SOLACE publication Delivering Good Governance in Local Government 2016.

This year's annual review had identified 9 key corporate governance matters, the details of which could be found in the reports pack:

- Ofsted Improvement Plan
- Gloucester Fire and Rescue Service (GFRS) Improvement Plan
- Recruitment and retention of employees in 'hard to fill', critical posts
- The impact of Covid-19 on governance.
- ICT transformation roadmap
- Procurement Transformation
- Adult Social Care transformation and procurement
- Equalities, Diversity and Inclusion (EDI) development
- Implementation of the Communities Infrastructure Levy (CIL)

The Committee discussed the governance key matters in detail, during the discussion it was noted that under the 'ICT Transformation Roadmap', cyber security was not clearly defined, members felt it needed to be clear and concise and requested the wording be amended accordingly. In terms of the CIL, it was also agreed that the wording be amended to include 'we will work constructively with partners'. (Action - SH)

In response to a question, members were advised that the Children's Services Budget was a limited resource, officers explained that general reserves were used as a contingency. Members were advised that contract management oversight would form part of contract procurement arrangements and this area was being looked at closely given the outsourcing issues within children services, which had contributed to the overspend.

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The Committee questioned the relationship between the GFRS Improvement Board and the Fire Scrutiny Committee. It was explained that this was an issue for the Constitution Committee, as the Fire Scrutiny Committee was still in its infancy stage and the Committee had been established in response to the white paper. The Committee were informed that the Fire Scrutiny Committee would monitor these issues, as it was within its remit and they would keep the issues relating to GFRS front and centre.

Members also raised concerns regarding GFRS culture, the Monitoring Officer explained that a lot of work was being undertaken with an independent organisation to advise, challenge and work on the cultural improvement journey.

In terms of concerns raised regarding the CIL, the Committee were informed that the Environment Scrutiny Committee were of a similar view and wanted to work with the Districts to find a solution. Members were advised the CIL had been introduced as an alternative to Section 106 funding and the CIL Team were actively working to understand the issues raised by the Districts and GCC. It was suggested that an LGA corporate peer review would include CIL within the scope, as many other authorities were in the same position and lessons could be learnt. Members were mindful that by removing GCC of any asset payments, it delayed infrastructure improvements for local residents, as all funds were currently being received by the Districts.

The Chairman referred to Principle D of 'The Gloucestershire Vision 2050' and questioned how it sat with the Council's carbon neutral strategy, given the 2050 aspiration was for Gloucestershire to have its own airport. The Chairman felt there were some general issues with the AGS and suggested it should go back to Cabinet for effective scrutiny.

The Monitoring Officer explained that the information via the link to 2050 was out of date and needed to be removed from the AGS. The vision had been signed up to in the Council Strategy but the projects described on the 2050 website had no official status or support. It was noted moving forward there would be a performance report to Council on the strategies and priorities, and this would enable scrutiny to have greater insight, visibility and plan effectively.

Officers explained these matters would be kept under review and a further update on actions taken to address them would be provided to the Committee, at its January 2023 meeting.

### **Resolved**

**That Committee approved the annual governance statement and the local code of corporate governance, subject to the inclusion of Cyber Security in the ICT Transformation Roadmap and the CIL wording be amended to include "we will work constructively with partners".**

**That the Committee agreed an update on actions take to address the governance issues identified would be presented January 2023 meeting.**

## **8. STATEMENT OF ACCOUNTS**

Paul Blacker, Director of Finance presented a progress report on the Statement of Accounts for 2021/22, it provided detail on the key findings set out in the interim audit findings reports for the Council and the Gloucestershire Pension Fund. The Director also explained the agreed timescale to allow the Committee to formally approve the 2021/22 audited accounts.

It was noted although considerable work has been undertaken throughout the 2021/22 audit process, it was not possible to be able to receive a formal external audit opinion. Committee members were assured that no material errors had been identified to date, and that an unqualified opinion was anticipated for both the Council and the Pension Fund.

Officers would continue to work with Grant Thornton to complete the outstanding items, for the next Committee meeting scheduled for 20th January 2023, incorporating any additional reporting requirements for Infrastructure Assets, following changes in accounting standards and/or the legal framework.

During the discussion, members referred to the narrative on page 147 of the report, in relation to Equality Diversity and Inclusion (EDI) and it was agreed that the colours on the sexual orientation chart need amending, as it was unclear. The Committee felt that the narrative needed to include the gender pay gap, disability and ethnicity. Members also questioned how staff identified or was it just male/female in terms of EDI. Officers agreed to liaise with Human Resources to improve the narrative, but advised the Committee that in terms of data quality, it was only possible to report on what data had been collected. (ACTION -PB)

Members also referred to page 160 of the report and requested that a link to the senior pay chart be included for transparency, officers agreed to take this point away and look at it in more detail.

### **Resolved**

**That the Committee noted the amended draft Statement of Accounts for the year ended 31<sup>st</sup> March 2022, including Gloucestershire Pension Fund Accounts 2021/22 and remained subject to change pending the completion of the external audit process.**

**That the Committee noted the progress report and audit findings report from Grant Thornton on the current audit of the Council's and Gloucestershire Pension Fund Statements of Accounts.**

## **CHAIRPERSON**

Meeting concluded at 12.01 pm

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