

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Friday 20 January 2023 commencing at 10.00 am at the Cabinet Suite - Shire Hall, Gloucester.

PRESENT MEMBERSHIP:

Cllr Matt Babbage	Cllr Mark Mackenzie-Charrington
Cllr John Bloxsom	Cllr Brian Tipper
David Clowes	Cllr Chloe Turner
Cllr Tim Harman	Cllr Dr David Willingham
Cllr Colin Hay (Chairman)	

Apologies: Cllr Alex Hegenbarth, Cllr Stephen Hirst, Sophie Morgan-Bower and Cllr Alan Preest

Officers in attendance: Steve Mawson (Executive Director of Corporate Resources), Rob Ayliffe (Monitoring Officer), Paul Blacker (Finance Director), Mandy Quayle (Director of People), Piyush Fatania (Head of ARA), Darren Skinner (Head of Planning, Performance and Insight), Alex Walling (Grant Thornton), Roz Apperley (GT) and Andrea Griffiths (Democratic Services).

1. DECLARATIONS OF INTEREST

No declarations of interest were made.

2. PUBLIC QUESTIONS

No public questions were received.

3. MEMBER QUESTIONS

No member questions were received.

4. MINUTES OF THE PREVIOUS MEETING

It was requested that the second paragraph, page 5 be amended to clarify the point in relation to the Communities Infrastructure Levy (CIL), be amended to: "Members were mindful that GCC relies on development contributions in order to be able to deliver infrastructure improvements for local residents, in a timely way".

Resolved

That subject to amendment, the minutes of the previous meeting held on the 30th November 2022 were approved as a correct record.

5. GRANT THORNTON AUDIT FINDING REPORTS

Alex Walling, Director, 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. It was reported that the audit was largely completed but unfortunately there had been some delay due to staff sickness.

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. It was reported there were no issues arising from the VFM work. GT were currently dealing with an objection under their statutory duties and hoped to complete that work in due course. It was explained that a detailed letter regarding the definitive map objection had been presented to the previous committee meeting.

The aim was to issue the Auditor's annual report 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.

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 were helping to overcome these issues. It was reported that GT had substantially completed the audit of the financial statements and they hoped to issue an unqualified opinion on the accounts.

Roz Apperley, Audit Manager, Grant Thornton informed the Committee of the significant risks involved with the valuation of land and buildings and explained that additional work had been undertaken to corroborate the figure as a result of the migration of the fixed asset register on SAP to the Techforge system. The system migration had identified some errors in the SAP system and the revaluation reserve in the balance sheet was understated by £961k for previous years.

Members were informed that the valuations on PFI assets were not being appropriately recorded in the accounts and this had resulted in errors in the depreciation and valuation amounts. This error had occurred when the valuations were entered in to the specialist PFI and PPP models, these errors were significant and were therefore adjusted within the accounts for 2021/22. It was noted the cumulative effect was £18,325k on the balance sheet.

In terms of 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. This had resulted in councils inadvertently replacing assets, which had a positive on accounting. CIPFA had issued an update to the Code in November 2022 and was planning to issue further guidance later in January 2023 in relation to the useful economic lives. Subject to receiving the updated guidance, GT anticipated being able to conclude on the Council's accounting for Infrastructure assets and issue the 2020/21 certificate.

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The Committee were referred to page 46 of the report which detailed the audit fees, it was noted that the final audit fees were subject to PSAA approval. Members queried the audit fee given the significant increase compared to the previous year. The Director explained that the scale fee did not include the VFM work and this would result in a standard uplift of fees under the new NAO code.

The Executive Director of Corporate Resources explained that the scale fees were put forward by the PSAA and he felt they were unrealistic. The LGA and the County Treasurers Group had raised issues and agreed that the accounts were complicated and needed to be simplified for the benefit of the public.

During the discussion, a request was made that the report format be amended to a searchable format on modern.gov.

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 £31m, given the value of the fund, it was noted there were no findings to report.

Resolved

That the reports be noted.

6. 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 audit findings reports for the Council and the Gloucestershire Pension Fund. The Director explained the agreed timescale to allow the Committee to formally approve the 2021/22 audited accounts.

It was noted considerable work had been undertaken throughout the 2021/22 audit process. 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 had worked with Grant Thornton to incorporate the additional reporting requirements for Infrastructure Assets, following changes in accounting standards and/or the legal framework.

It was noted that a detailed training session had been undertaken by Members in November 2022, in relation to the Statement of Accounts.

A member of the committee referred to the outstanding objection and felt the objector had valid concerns given the time period involved for applications. It was explained that the issues had been raised by the CROW Committee with the appropriate Cabinet Member and Environment Scrutiny Committee were also

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

aware of the resourcing issues and the backlog of definitive map applications. The Chair suggested the issues should be referred to the Environment Scrutiny Committee, give this Committee's concerns in relation to the governance aspect and a response would be sought in due course.

The Executive Director of Corporates Resources sympathised with the concerns raised and explained that some additional resources would be allocated within the budget for the coming financial year. It was noted that the objection was not an issue from an accounts perspective.

The Monitoring Officer advised the Committee that legislation in relation to definitive map applications had changed which in turn had created an increase in demand. A prioritisation programme was currently in place and officers hoped the legislation clause would be repealed. In addition, there were rights of appeal via Central Government but these weren't currently being pursued by applicants.

The Executive Director of Corporate Resources wished to thank the Finance Team for all their efforts in producing the accounts and Grant Thornton for their efforts in compiling the audit.

During the discussion, members referred to the charts on page 115 of the report, in relation to Gender and those individuals who identified as transgender. The Monitoring Officer explained data was collected differently across the different organisations, so that information was not currently available. Officer hoped to align data quality, so that comparisons could be provided in the future.

Resolved

That the Committee unanimously approved the:

- **Statement of Accounts for the year ended 31st March 2022, including Gloucestershire Pension Fund Accounts 2021/22, as detailed in Annex A.**
- **Deputy Chief Executive and Executive Director of Corporate Resources and Chair of the Committee to sign the attached letter of representation, in Annex B, on behalf of the Council.**
- **Deputy Chief Executive and Executive Director of Corporate Resources and Chair of the Committee to sign the attached letter of representation, in Annex C, on behalf Gloucestershire Pension Fund.**

7. GRANT THORNTON AUDIT PROGRESS REPORT

Alex Walling, Director, Grant Thornton presented the report, which detailed the progress Grant Thornton (GT) had made in delivering their responsibilities as the external auditors.

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

Members referred to page 271 of the report, and were concerned to learn that potentially services were at risk of due to the lack of funding. GT explained they were lobbying central government and would continue to monitor the situation. The Executive Director of Corporate Resources was sceptical as the list included District Councils, and he added that Authorities were lobbying for long term settlements as this supported planning.

Resolved

That the report be noted.

8. ANNUAL GOVERNANCE STATEMENT UPDATE

Darren Skinner, Head of Planning, Performance & Insight, presented the update report. The Council Annual Governance Statement (AGS) 2021/22 included 9 actions to further enhance governance arrangements.

The report provided assurance to the Audit and Governance Committee that the improvement actions identified as part of the annual review of the governance arrangements operating within GCC had been/were being addressed. This report included the up to date position on each action as provided by the specific lead officers and/or their nominated representatives.

In response to a question, it was noted as part of the risk review, there residual and inherent risks and officers were working through the risks and were provided training where and when required. A member questioned the strategic risk monitoring report, it appeared not all of the risks had a target or a timescale. It was explained that it may be possible to connect the risk with a performance indicator and the service was attempting to be holistic in its journey.

During the discussion the committee requested the following points be considered for inclusion in the AGS for 2022/23:

- Key Issue 3 (Recruitment & Retention): Members felt it was critical to manage career development and requested this point be included.
- Key Issue 5 (ICT Transformation Roadmap): Third party risks to be included
- Key Issue 9: The CIL targets/timescales be allocated once the budget had been finalised.

Resolved

That the Committee reviewed the progress made against the key issues and noted the report.

9. CAPITAL, TREASURY AND INVESTMENT STRATEGY

Paul Blacker, Director of Finance presented the proposed Capital Strategy, Treasury Management (TM) Strategy Statement and Investment Strategy for 2023/24, which met the CIPFA Code of Practice, and governed how the Authority

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undertook Treasury Management activities. It was noted that the Committee was required to consider and comment on the proposed strategies for 2022/23, including the Minimum Revenue Provision Policy.

It was noted that the strategy would be approved by full Council as part of the Medium Term Financial Strategy (MTFS) and was being submitted to the Audit and Governance Committee in accordance with its terms of reference to regularly monitor the Council's Treasury Management policy and practices.

Members were reminded that details of the Investments within the strategy were covered in detail at the Treasury Management training session provided by Arlingclose on the 13th January 2023.

In response to a question, it was clarified there were no statutory policies regarding the reviewing of fossil fuel investments, as Treasury Management aimed to generate funds for the council. The member felt that an ESG policy was required. In terms of ethical investments, it was confirmed there were no direct investments in Russia. The Committee were reminded that TM investments were made through professional fund managers and were closely monitored.

A member questioned the capital programme and was advised there was some slippage, officers confirmed the figures could be reconciled against the MTFS.

Resolved

That the Capital Strategy, Treasury Management Strategy Statement and Investment Strategy 2023/24 be commended for approval by Council.

10. INTERNAL AUDIT ACTIVITY PROGRESS REPORT

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 2022/2023 Internal Audit Plan and provided a progress report on the internal audit outcomes from the period October to December 2022.

During the discussion, a member raised concerns that nitrous oxide emissions from the Energy from Waste (EfW) facility have been creeping upwards and there had been 10 breaches and questioned what was being done to rectify the situation. In addition, the Committee also wished to know if the terms for the receipt of third party waste charges had been considered. The Principal Auditor advised the Committee that audit for waste and controls was due to be undertaken. The Head of ARA agreed to provide a detailed response after the meeting.

It was explained there was a low detection of fraud in comparison to the GCC budget and that approximately £12k had been recovered. Officers recognised that it was not always possible to recover funds obtained through fraud. It was suggested that funds recovered through fraud should be published as a good news story and may act as a deterrent to others.

Resolved

That the Committee noted the report.

11. EXTERNAL AUDIT ARRANGEMENTS

The Director of Finance advised the Committee that KPMG had been appointed by the PSAA as the Authority's external auditors as of 2023/24 for a five year period. It was recognised that the PSAA regularly changed auditors in order to avoid complacency. Members noted external auditors invoices were submitted to the PSAA for approval prior to payment.

Resolved

That the verbal update be received.

12. ANNUAL WHISTLEBLOWING REPORT

The report was presented by the Monitoring Officer (MO) and it was explained that the whistleblowing policy allowed for concerns to be raised at three levels:

- Level 1- In the first instance, employees were encouraged to raise concerns with their line manager or team leader
- Level 2 - If they felt unable to do this, they could raise the matter with any of the following: their Head of Service, Assistant Director, Director or Executive Director; the Chief Internal Auditor; the Head of Human Resources; the Assistant Director of Legal Services; or the case of schools the Director of Education.
- Level 3 - If concerns remained, or were so serious that the individual does not want to discuss them with any of the above, they could be raised directly with the Monitoring Officer.

It was reported that there was a decrease in the number of whistleblowing concerns received during 2022, with 16 reports received setting out a total of 17 concerns. The MO gave a breakdown the concerns raised and advised the Committee that only two concerns were deemed to be substantiated. A member sought further clarification regarding the grant funding case, the MO agreed to check the status and would report back to members.

In order to have oversight of the Whistleblowing Policy, a steering group had been established to ensure consistency of practice and all members had undertaken a training workshop with Protect. Members were advised that Protect were a national charity and they advised the Authority of any changes in national policy and gave GCC access to best practice.

The Committee accepted that whistleblowing cases were confidential by nature and staff communications were used regularly to promote positive messages across the organisation. It was noted that a reporting system for managers was now in place, and the MO would continue to monitor and develop the policy if necessary.

Regarding a question relating to schools, it was explained that academy schools had their own whistleblowing policies, however any concerns could be referred if necessary. Maintained schools could report any concerns via GCC, who would work with the governing body to investigate the concern.

Resolved

That the Committee noted the report and confirmed that no changes were needed to the Council's Whistleblowing Policy. The Committee also supported the development priorities identified for 2023.

13. ANNUAL REPORT ON MEMBER CODE OF CONDUCT

The Monitoring Officer presented the report in detail and explained the New Code of Conduct was approved by Council in November 2022. This was the culmination of 18 months of work with the county's six district councils and Gloucestershire Association of Parish and Town Councils.

The new code provided greater clarity to members and to the public on what falls within the code. It was noted that training on the new Code will be rolled out to members in February 2023. Members were asked to promote that training within their groups and to encourage all members to attend once dates had been set.

The Committee noted out of the 13 complaints received to date, only three had met the threshold for progressing beyond an initial assessment. The two Independent Persons assisted and advised the Monitoring Officer on the handling of complaints, including being consulted on the outcome of all initial assessments.

There was no automatic right of appeal to the ombudsman, but a councillor could appeal on the grounds of maladministration if there was an error in the process. Members were advised that the Code of Conduct was a live document and was kept under regular review.

Resolved

That the report be noted.

14. EXCLUSION OF THE PRESS & PUBLIC

Resolved

That in accordance with Section 100 A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following agenda items, 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.

15. EXEMPT INTERNAL AUDIT PROGRESS REPORT -

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The Director of People presented the report in detail.

Resolved

The Committee noted the report.

CHAIRPERSON

Meeting concluded at 1.19 pm