

AUDIT AND GOVERNANCE COMMITTEE

MINUTES of the meeting of the Audit and Governance Committee held on Friday 21 July 2023 commencing at 10.00 am at the Cabinet Suite - Shire Hall, Gloucester.

PRESENT MEMBERSHIP:

Cllr Matt Babbage (Virtual)	Cllr Alex Hegenbarth
Cllr John Bloxsom	Cllr Stephen Hirst
David Clowes	Cllr Alan Preest
Cllr Andrew Gravells MBE	Cllr Brian Tipper
Cllr Tim Harman	Cllr Chloe Turner
Cllr Colin Hay (Chairman)	Cllr Dr David Willingham

26. APPOINTMENT OF CHAIRPERSON

Resolved

That Cllr John Bloxsom was duly appointed as Chairperson for the ensuing civic year.

27. APPOINTMENT OF VICE CHAIRPERSON

Resolved

That Cllr Tim Harman was duly appointed as Vice Chairperson for the ensuing civic year.

28. DECLARATIONS OF INTEREST

Cllr Tim Harman declared he was in receipt of a Local Government Pension.

29. PUBLIC QUESTIONS

No public questions were received.

30. MEMBER QUESTIONS

No member questions were received.

31. MINUTES OF THE PREVIOUS MEETING

Resolved

That the minutes of the meeting held on the 21st April 2023 were approved as a correct record.

32. GRANT THORNTON PROGRESS REPORT

Alex Walling, Audit Engagement Lead, Grant Thornton introduced the progress report, which informed the Committee of the audit work to be undertaken for the 2022/23 financial year for Gloucestershire County Council, Gloucestershire Pension Fund and the fees involved.

At this point, members were introduced to Liam Royle, Audit Manager, Grant Thornton.

The Committee were advised that Grant Thornton had completed their planning of the audit under the 2020 Code of Audit Practice and there were no significant issues to bring to the committee attention. It was noted the Pension Fund audit had concluded.

Members were informed that Grant Thornton's work covering the both the Council and Pension Fund Audits was progressing well and they were currently discussing the findings with management and the results would be communicated in their next update report.

The County Council Audit plan would be formally presented to the September Committee meeting and Grant Thornton aimed to give their opinion on the Statement of Accounts by the 31 December 2023. The Committee noted the deadline for the publishing of local authority accounts was the 30th September for 2022/23 onwards. It was explained that the ongoing delays in local audit continued to significantly impact audited bodies and financial reporting, and this was a national issue.

The Engagement Lead explained that the objection had concluded and that a public interest report was not required and that the certificate for the 2021/22 would be issued. It was noted that it was currently with the PSAA for approval, as the cost of the undertaking the objection was £7,100.

Resolved

That the report be noted.

33. GRANT THORNTON AUDIT PLANS FOR PENSION FUND

Liam Royle, Audit Manager, Grant Thornton presented the report in detail and informed members there were three risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error and they were identified as revenue and expenditure recognition, management over-ride of controls and the valuation of level 3 investments.

It was noted that these areas and any other significant matters would be communicated in the Audit Findings Report.

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In terms of the Pension Fund, materiality had been determined to be at £45.128m for the Pension Fund and Grant Thornton would report uncorrected omissions or misstatements other than those which were trivial to those charged with Governance. In response to a question, members noted that increase in the materiality was an internal decision by Grant Thornton.

Members were referred to page 37 of the report and noted the proposed fee for the Pension Fund audit would be £56,480.

Resolved

That the report be noted.

34. 2021/22 AUDITORS ANNUAL REPORT

The Audit Engagement Lead, Grant Thornton presented the External Auditor's Annual Report on the County Council & Pension Fund which summarised the key findings in terms of the planned approach to the 2020/21 financial statements and value for money arrangements. It was explained that this report had replaced the Annual Audit Letter.

It was noted there were no significant weaknesses and nine improvement recommendations had been made to management and these were detailed within the report.

A member noted there were two follow up recommendations outstanding, in relation to recommendation 4 (Internal Audit) and recommendation 8 (Children's Services). The Executive Director of Corporate Resources explained that Children's Social Care was very much on the radar and management were aware of the overspend. He acknowledged the point raised and reassured the committee that the service was making progress and the Children & Families Scrutiny Committee received regular reports.

The Head of ARA also reassured the committee that Internal Audit were implementing new software which would help in the implementation of the recommendation, and he hoped this would improve communication. The Engagement Lead added that she was satisfied with the progress being made and GT had continued dialogue with Internal Audit on a regular basis.

During the discussion were reminded not to confuse their role, as audit was not a scrutiny function, Audit had an oversight function and was able to hold the executive to account. Members were reminded that the report recommendations had been discussed with the Senior Leadership team and the Cabinet.

The Monitoring Officer reminded members of the Committee's remit and explained that Officers were able to highlight any areas of concerns to Scrutiny for their consideration.

The Executive Director of Corporate Resources reiterated there were no areas of significant weakness, and he was pleased with the progress being made.

Resolved

That the report be noted.

35. ANNUAL REPORT ON TREASURY MANAGEMENT

Kathy Oakey, Finance Manager presented the Treasury Management Annual Report, which detailed the performance for the Council's investment and borrowing activities for 2022/23.

It was explained that the Committee was charged with the governance of Treasury Management and significant sums of money were involved in Treasury Management with a borrowing and investment programme in excess of £300 million.

It was noted it had been a very volatile year, with the bank base rate rapidly rising to 4.25% by the end of March 2023 and this had made external borrowing more expensive, but allowed the Council to gain on invested income.

The Council had continued to hold borrowing internally, meaning that investment balances were lower and was saving on interest charges. For the surplus cash investment the Council achieved an income return of £7.4m (2.5%) which was available to support the Councils Budget.

The Council had continued to ensure that money invested was diversified over a range of counterparties to minimise risk. In addition the Council had invested in a number of secured investments, including adding a repo arrangement to the portfolio, whereby the deposit was 100% collateralised.

The Council continued to have a number of more strategic funds whose performance helps to protect the Council against inflationary losses, however with the volatility in the markets, capital values had been down at the end of the year, although all the funds continued to pay consistent dividends.

It was noted that where funds had suffered from an element of capital loss, the Council could offset this loss in its annual accounts due to a statutory override. As the funds were considered longer term investments it was expected that this capital loss would be recovered over the next few years. Despite these longer term investments the Council had maintained liquidity, with the percentage invested for over 12 months being 34.4%.

Members were advised there was a new section in the report on Ethical, Social and Governance (ESG) considerations. Although there was no developed approach for public sector bodies, it was now considered good practice to take these into account.

The Committee were informed on the borrowing side early redemption remained expensive during 2022/23, so the Council had not redeemed any loans early during that period, however all maturing loans had been repaid in full (£6.9m) during the year. It was reported that the overall borrowing requirement had increased from £457.6m to £466.0m and this increase was as a result of unfunded schemes being included in the approved capital programme.

Members were advised that the Council complied with all the limits set for borrowing and investment as laid down in the prudential indicators shown in Appendix E.

In response to a question, it was noted that Arlingclose were the Authority's Treasury Management Advisors and any investment in foreign countries would be in accordance with the appropriate licences. A member questioned investing in foreign countries who were not on the national list. The Executive Director of Corporate Resources explained that the Treasury Management function was security, liquidity and yield as detailed at page 89 of the report. It was noted that these areas were regularly reviewed with the Treasury Management Advisor.

The Committee noted that the Authority was in a fortunate position to not have to borrow externally and that should be attributed to Cllr Theodoulou's legacy of repaying long term borrowing, which had ensured the Authority was still in a positive position.

A member sought clarification that the Authority was compliant with the new bill, the Executive Director of Corporate Resources agreed to take the point away to check and a response would be provided by email.

The Finance Manager added that regular reports were received from the Treasury Management Advisors and decisions were made based on those reports and six-monthly refreshes were conducted to maintain a healthy position.

RESOLVED

That the Committee considered and noted the Treasury Management Annual Report for 2022/23.

36. ANNUAL REPORT ON RISK MANAGEMENT ACTIVITY

Darren Skinner, Head of Planning, Performance & Insight explained the report aimed to update and provide assurance to the Audit & Governance Committee (AGC) on changes and improvements made to the Risk Management (RM) Framework during 2022-2023, including those made in response to the Audit Review undertaken in the previous year.

It was explained through the Council's Constitution, the Audit and Governance Committee had responsibility for monitoring the effective development and operation of risk management in the Council and to monitor progress in addressing

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risk-related issues reported to the Committee. The annual activity report summarised the key changes and improvements to the risk management framework each year, including amendments to the Strategic Risk Register.

In response to a question, it was noted that questions relating to specific areas should be referred to the appropriate Director. The Head of Planning, Performance & Insight explained that the target risk was based on what was regarded as achievable given the resources available.

It was noted that many of the risks had remained at the same level, and there were some movements. Members were advised that the first page of the risk register displayed the overall movement and the Risk Register only included risks that required collective oversight by the Corporate Leadership Team (CLT). It was understood that certain risks, for example Health & Safety, staff welfare, were on the risk register because they were a responsibility that was shared by the whole council. A member remarked that the risk management training session was beneficial and perhaps a refresher session would be helpful.

The Committee were reminded it was their role to provide the appropriate challenge and ensure the attention was focused accordingly and mitigations would help to maintain risks at a reasonable level, as policy changes, funding and market changes could all affect the risk register.

During the discussion it was noted there was a typographical error on Page 139 of the report, and the score would be amended.

The Independent Person questioned the difficulties in recruiting and the level of associated. It was noted the score was being reconsidered by the new Head of Human Resources, although it was acknowledged there were difficulties in recruiting Adults & Children's Social workers, but this was also a national issue too.

The Executive Director of Corporate Resources explained efforts underway to promote working in Gloucestershire and this would be launched in September as part of a recruitment drive. It was noted there had been some improvement in Children's Social Care and he urged the committee to not micro-manage risks. As it was a strategic risk register and CLT were reasonably pleased with the progress made. Members were informed that the individual scrutiny committees were also monitoring risks within their appropriate areas.

Resolved

That the Committee noted the key developments in the framework this year and approved the actions against suggested improvements, put forward in the independent review of risk carried out by TIAA.

The Committee noted the amendments to the strategic risk register arising from its annual review at Corporate Leadership Team.

37. ANNUAL REPORT OF THE COUNTER FRAUD TEAM

Piyush Fatania, Head of ARA presented the report which detailed the Counter Fraud Team's end of year progress against high level work streams for Gloucestershire County Council (GCC).

It was explained that the Counter Fraud Team (CFT) sat within the Audit Risk Assurance shared service and comprised of three fully qualified counter fraud and risk management specialists. The Committee were informed that the CFT worked with multiple agencies and partners, to share information and learning practices. In addition, newsletters were produced on a regular basis and shared across the various services.

During the discussion, it was noted there was an error on page 158 of the report, and it would be amended to 'Gloucestershire County Council'.

Resolved

That the Committee noted the work and performance of the Counter Fraud Unit during 2022/23.

38. ANNUAL REPORT OF THE HEAD OF AUDIT RISK ASSURANCE

The Head of Audit, Risk & Assurance presented the report and explained the Annual Report on Internal Audit activity met the reporting requirements, as set out in the Public Sector Internal Audit Standards (PSIAS) 2017. The Head of ARA advised the Committee that overall, the level of risk for 2022/23 was an acceptable level of assurance.

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.

He wished to extend his thanks to the ARA team who had worked very hard throughout the year and the support received from Members and officers throughout the Council.

Members questioned the sickness absence levels; the Monitoring Officer explained that the work relating to this area was ongoing as staff sickness was not as prevalent when staff were working remotely. It was noted that certain service areas, e.g. Fire Service, Adult/Child Social Care involved different stresses for staff, and this was being closely monitored.

Resolved

That the Committee assessed, from the findings set out in the Annual Report of the Head of ARA 2022/23, that it could take reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively.

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

39. INTERNAL AUDIT PROGRESS REPORTS

The 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.

In response to a question relating to Section 117 (page 182 of the report), it was explained that services for vulnerable people were of a significant risk to the Council. The Head of ARA explained that assurances were given from management as they were responsible for the risk, and there were different recommendations at different times relating to the implementation. The Monitoring Officer explained that the Integrated Care Board were jointly commissioned, and they also had oversight of Section 117.

During the discussion, members requested that the implementation due dates for paragraph 2.3 & 2.4 of the report, be shared with members of the committee by email.

Resolved

That the Committee noted the progress against the Internal Audit Plan 2023-24.

That the Committee noted the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements) as a result of the Internal Audit activity completed.

40. ANNUAL SCHOOLS ASSURANCE STATEMENTS - GOVERNOR SERVICES

Clare Dudman, Head of School Improvement provided the Committee with an annual report on school assurance statements provided by the governing boards of Local Authority (LA) maintained schools and confirmed the statements met the reporting requirements. The Head of School Improvement provided assurance to the Committee that processes were in place to manage the Internal Audit identified schools' risks and updated on audit recommendation implementation.

The confirmed assurance approach for 2022/23 applied by Education/Governor Services, was designed to meet the objective to provide assurance that processes were in place to manage the Internal Audit identified schools' risks, and to update on audit recommendation implementation.

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Members noted that Governor Services had exercised its role in ensuring that Governing Boards followed up and completed as required the recommendations for action that were made in a school audit report.

In all cases, the governing board statement had confirmed that the recommended actions had been completed by the governing board, or that boards are in the process of ensuring that the actions are completed.

In response to a question, it was explained that Schools Finance Team worked closely with schools in a deficit position and it was recognised there were different challenges faced by the different schools. It was noted there was now a greater understanding between audit and schools, and the appropriate actions were taken to address areas of concern.

Resolved

That the Governing Boards whose schools were audited would continue to submit a return to Internal Audit to confirm the progress that had been made with the implementation of the audit recommendations that were identified.

The Committee noted the report.

41. ANNUAL REVIEW OF THE COUNCIL'S USE OF THE REGULATIONS 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 2022/23.

It was noted that there had been four applications for covert operations, and there were some ongoing investigations. The Committee were advised that the Assistant Director of Legal Services also undertook an annual review to ensure the applications were considered and managed properly. Members were advised that Trading Standards were developing an online webinar training session.

Members welcomed the report and the ability of Trading standards to prevent illegal tobacco and underage purchasing. During the discussion, a member asked if gambling was a District function, the Assistant Director of Legal Services agreed to check this point and a response would be provided by email.

It was suggested that it might be useful to include the district functions in the report in the future.

Resolved

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

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That the Committee agreed the conclusions within the report and supported the proposal to proceed with the outstanding recommended actions.

42. AUDIT & GOVERNANCE CHAIR'S ANNUAL REPORT

Resolved

That the report be approved and commended to the September Council meeting.

CHAIRPERSON

Meeting concluded at 11.44 am